Q&A about the TOKYO PRO-BOND Market

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Objectives for the establishment of the TOKYO PRO-BOND Market

Q1: What are your objectives for establishing the TOKYO PRO-BOND Market?

A1: The TOKYO PRO-BOND Market is to serve as a new bond market for professional investors under a 2008 revision to the Financial Instruments and Exchange Act that provides a legal framework for the establishment of markets intended solely for financial professionals.

The large majority of bonds — particularly bonds which are not required to have bond administration companies and whose face value is 100 million Yen or more— issued within the Japanese bond market are intended for professional investors; yet, despite that characteristic, the disclosure framework of the FIEA and business practice are quite prescriptive as they also cover individual investors. On a similar note, many foreign issuers are interested in issuing bonds in Japan; yet, because of obstacles presented by a requirement that disclosure be in Japanese, not a few issuers cannot access the Japanese bond market.

The TOKYO PRO-BOND Market seeks to make full use of the legal framework for markets for professionals while providing additional flexibility and efficiency with regards to bond issuances comparable to what is provided by the euro market. It seeks to improve the attractiveness of the market for bond issuers, investors, securities companies, and other related parties both within Japan and internationally, thereby contributing to the development of the Japanese bond market as a core Asian exchange.

Q2: What merits will the TOKYO PRO-BOND Market provide to bond issuers and investors?

A2: The TOKYO PRO-BOND Market will provide issuers with a high degree of flexibility and nimbleness.

By simplifying the process for listing bonds, most notably by simplifying disclosure requirements while maintaining the quality of information to be provided to investors, we hope to make it easier for issuers to issue bonds in a flexible and timely manner. We also intend to make it easy for investors to access essential information on the Exchange website. As with overseas MTN (medium-term note) programs, an issuer, once it has registered the maximum limit for the value of bonds that can be issued within a set period together with basic financial and other information (Program Listing), would be able to issue bonds when and as desired up to the limit of the registered amount.

Foreign issuing entities (corporations, organizations) likewise stand to benefit from the added convenience. Whereas conventional samurai bond issues require Japanese-language disclosure, the TOKYO PRO-BOND Market allows English-language disclosure or a combination of the two. Similarly, financial statements may be based on Japanese accounting standards (J-GAAP), international accounting standards (IFRS), or US accounting standards (US-GAAP), and the bonds may be denominated in a variety of currencies including Yen but not limited to Yen.

Domestic and overseas investors will benefit from the increased variety of securities in the Japanese market because more domestic and overseas issuers will be able to issue in Japan utilizing the TOKYO PRO-BOND Market. Overseas investors will find it easier to invest in the Japanese market thanks to increased disclosure in English. European and other overseas investors who are restricted from investing in non-listed securities will also be able to invest in bonds issued in Japan and their investment opportunities will be broader. Finally, the information for investors will be disclosed in the Exchange website and issuer's website and will be easily accessible for them.

* MTN is an abbreviation for "medium term note," and refers to bonds issued in accordance with an MTN program, which is the most common way of issuing corporate bonds in the Euromarket. Under an MTN program, issuers conclude a basic agreement with several dealers prior to the issue of a series of bonds so that they can issue bonds flexibly according to their financing needs. MTN programs are typically listed on the London Stock Exchange, Luxembourg Stock Exchange and other exchanges.

Overview, definitions (Special Regulations, Regulations 1–7, 201–205)

Q3: What kind of marketable securities can be listed?

A3: The following may be listed on the exchange: corporate bonds issued by domestic or foreign legal entities; securities issued by domestic or foreign legal entities under special statute; bonds of investment corporations; among foreign investment securities in investment corporations, those securities similar to bonds of investment corporations; municipal bonds of domestic or foreign issuers; specified corporate bonds issued by domestic or foreign legal entities; among beneficiary certificates of special purpose trusts, those of the type that with regard to cash distributions during the trust period receive distributions in predetermined amounts; beneficiary certificates of special purpose trusts issued by foreign entities; and government bonds issued by foreign sovereigns. There are no particular restrictions on the place of issuance.

With regards to corporate bonds, one may list not only straight bonds but also, as long as they fall under the definition of a corporate bond, structured bonds. Note, however, that this does not apply to convertible corporate bonds or exchangeable corporate bonds. Islamic bonds may be listed if in the form of beneficiary certificates of special purpose trusts.

Q4: May one later change the language of disclosure? What are the points to keep in mind here?

A4: The language of disclosure may be changed. For example, a foreign issuing entity may decide to present disclosure materials in Japanese and English at the time of the issuance and later follow with English-language disclosure. However, it would be necessary to take measures to ensure that investors are clear about the disclosure language being adopted by, for example, letting them know at the time of issuance that subsequent disclosure will be conducted only in English. Also, an issuing entity

may use both Japanese and English in one disclosure material for the sake of convenience of both the issuer and the investor.

Q5: Regulation 203 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities states that “the legal systems and actual practices that prevail in the home countries of issuers.” Specifically, what does this mean?

A5: It means that we will broadly recognize the legal systems and practices that exist in the country where the bonds are issued, rather than the legal systems and practices of the country in which the issuing entity is legally established. With regard to the TOKYO PRO-BOND Market, the Exchange operates on a principles-based approach (Regulation 3 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities (hereinafter referred to as the “Special Regulations”)); and, based on that, we intend to apply these regulations in a flexible and appropriate manner with due consideration of bond market practices. In terms of the governing law, there is no particular restriction in the rules of the Exchange.

Listing Application, Listing Eligibility (Special Regulations, Regulations 206–213)

Q6: Would you explain the relationship between bond issuance and listing?

A6: If an issuer wants to issue bonds utilizing disclosure frameworks of the TOKYO PRO-BOND Market, the bonds have to be listed on the TOKYO PRO-BOND Market. If not listed on the TOKYO PRO-BOND Market, an issuer would have to use some other system (i.e., some method of subscription recognized by the Financial Instruments and Exchange Act, perhaps by filing a marketable securities application, soliciting qualified institutional investors, or arranging a small private placement) and thus would be unable to receive the benefits provided by the TOKYO PRO-BOND Market (flexibility combined with an ability to sell to essentially the same general range of investors (excluding individual investors) that one would sell to now).

Q7: Where and when can a Securities Listing Application Statement be filed?

A7: Applications are accepted at the offices of the New Listings Division of the Tokyo Stock Exchange, Inc. As a general rule, the reception desk is open during the business hours of the Tokyo Stock Exchange, Inc. (from 8:45 to 16:45), although we will take into consideration time differences and other such factors so as to make the process more convenient for overseas issuing entities. The same hours apply to electronic submission.

Q8: May we appoint a representative to file an application in our place? Furthermore, can we file the application and receive advice in English?

A8: A representative may file an application for you. Also, applications, advice, and confirmations can all be conducted in English.

Q9: What is meant by “Program Information”? What is to be gained by presenting it? What obligations are incurred upon doing so?

A9: Program Information is equivalent to the euro MTN program and indicates the maximum limit for the value of bonds that can be issued within a set period together with basic financial and other information. Program Information is to be rated, and a candidate for lead managing underwriter is to be listed. Once this is done, one can flexibly issue and list the bonds at the time of issuance. Note that the bond issuing entity (the party that submitted the Program Information) does bear a responsibility to observe the Exchange rules, including requirements for timely disclosure. With regard to securities not qualifying for the exemption from certain disclosure requirements under the Financial Instruments and Exchange Act (Article 3), Program Information is treated as Specified Securities Information prescribed in Article 27-31 of the same Act. Therefore, by submitting Program Information to the Exchange for public announcement, one can start solicitation for the investment in bonds that are newly issued based on said Program Information.

Q10: What is the difference between Program Information and shelf registration documents?

A10: The Program Information and shelf registration document are both intended to disclose basic information, financial information, and the maximum limit for the value of bonds that can be issued by the issuer. Shelf registration documents are statutory disclosure documents provided for in Article 23-3 of the Financial Instruments and Exchange Act. With regard to securities not qualifying for the exemption from certain disclosure requirements under the same Act (Article 3), Program Information is treated as Specified Securities Information, which is statutory disclosure information prescribed in Article 27-31 of the same Act. Program Information is to be presented on Form No. 5 (a format prepared by the Exchange) or on some other form deemed appropriate by the Exchange. In the shelf registration document, issuers can describe either the expected issuance amount during the set period of time or the maximum limit of the outstanding balance. The outstanding balance described here does not include the issuance amounts of bonds that were issued based on shelf registration documents whose scheduled issuance period has expired. On the other hand, the maximum limit of the outstanding balance including the amount from the issues based on Program Information whose scheduled issuance period has expired shall be described in the Program Information, in the same manner as the euro MTN program. Under this method (called “program amount method”), if the bonds issued based on the present or past Program Information are redeemed, the remaining issuance capacity under the Program Information will increase by the same amount as the redemption.

Q11: You mean that it is possible to use some form other than Form No. 5 to submit Program Information?

A11: Yes, we accept formats considered appropriate based on the Rule 202, Paragraph 3 of the Enforcement Rules for Special Regulations (hereinafter referred to as the “Enforcement Rules”). The program format utilized for the euro MTN program, for

example, could be used as is. As for the sovereign bond, the formats that are stipulated by Cabinet Office Ordinance on Disclosure of Information on Issuers of Foreign Government Bonds can be used. If Form No. 5 is not used, the Exchange will examine, among others, the applicable laws and regulations of the home country in the case where documents disclosed in the home country are referenced, the accounting standards adopted, and the relevant part of the matters listed in Article 2(2)(i) a. through d. of the Cabinet Office Ordinance on Provision or Publication of Securities Information in advance for confirmation.

Q12: What is the relationship between Program Information and Specified Securities Information?

A12: With regard to securities not qualifying for the exemption from certain disclosure requirements under the Financial Instruments and Exchange Act (Article 3), Program Information is treated as Specified Securities Information. When an issuer intends to issue and list bonds under the Program Information after its submission, the issuer is required to submit Supplemental SSI to the Exchange. Supplemental SSI is disclosure information describing the final issuance terms of the bonds to be issued and referencing Program Information for other disclosure items. Supplemental SSI constitutes Amended Specified Securities Information, which supplements Program Information (Article 27-31, Paragraph 4 of the same Act). When a new listing application is made based on Program Information, the Program Information, any subsequently publicized Amended Program Information, and the Supplemental SSI would together constitute Specified Securities Information.

Q13: Must we submit Program Information?

A13: The submission of Program Information is voluntary. As with shelf registration statements, a party that issues bonds frequently (several times a year) would benefit considerably from submitting Program Information, as it would speed up and simplify processing for each issuance. However, for a party that issues bonds only once a year or so, there might not be a material benefit from submitting Program Information. Such a party would normally issue and list bonds by simply presenting Specified Securities Information alone. By submitting Program Information to the Exchange for public announcement, one can start solicitation for the investment in bonds that are newly issued based on said Program Information.

Q14: Are there any necessary conditions for utilizing Program Information?

A14: Program Information should satisfy the listing eligibility requirements prescribed in the items of Regulation 212 of the Listing Regulations as applied by replacing certain terms pursuant to Regulation 206, Paragraph 1 of the Special Regulations when it is submitted for publication. In principle, the Program Information must have a rating from a credit rating agency and the lead managing underwriter must be registered on the Lead Managing Underwriter List prepared by the Exchange. If Program Information does not satisfy such listing eligibility requirements when it is submitted for publication, information about credit rating and the (candidate) lead managing underwriter concerning the Program Information should subsequently be publicized

by issuing Amended Program Information or Supplemental SSI (Rule 202, Paragraph 1 of the Enforcement Rules).

Q15: Do bonds issued using Program Information have to be listed?

A15: No, not necessarily, the issuing party is free to determine whether or not to list the bond. However, if the issuing party chooses not to list, it must necessarily conduct the issuance under another system, for example by soliciting qualified institutional investors or arranging a small private placement.

Q16: How is Program Information publicly disclosed?

A16: Program Information is to be continually posted either on the website of Tokyo Stock Exchange, Inc. or on the website normally utilized by the issuing party to disclose information. If the latter method is adopted, the issuing party is encouraged to take measures to ensure that the information is communicated to investors reliably and appropriately by, for example, providing the information to information vendors through RNS, which is an information dissemination service provided by the London Stock Exchange.

Q17: What is Specified Securities Information?

A17: Specified Securities Information refers to documents that are to be submitted (and publicly disclosed) upon the issuance/listing of bonds under the TOKYO PRO-BOND Market system. For bonds issued without using the Program Listing system, Specified Securities Information can be described that it is equivalent to a Securities Registration Statement in the case of a public offering. The contents and format of a Specified Securities Information report are determined by Tokyo Stock Exchange, Inc. Note that the Exchange is doing much to minimize the costs entailed by preparing additional documentation for the TOKYO PRO-BOND Market. For example, companies that continually file Annual Securities Reports with the FSA do not need to state corporate information including financial statements in the report. Secondly, overseas issuers may submit the reporting documents they provide to their home country financial authorities or foreign financial instruments exchanges.

Q18: May we use a form other than Form No. 8 to submit Specified Securities Information?

A18: Yes, we accept formats considered appropriate based on Rule 204, Paragraph 2, of the Enforcement Rules. For example, the disclosure formats utilized in the euro market may be used here as well. As for the sovereign bond, the formats that are stipulated by Cabinet Office Ordinance on Disclosure of Information on Issuers of Foreign Government Bonds can be used. If Form No. 8 is not used, the Exchange will examine, among others, the applicable laws and regulations of the home country in the case where documents disclosed in the home country are referenced, the accounting standards adopted, and the relevant part of the matters listed in Article 2(2)(i) a. through d. of the Cabinet Office Ordinance on Provision or Publication of

Securities Information in advance for confirmation.

Q19: When the bonds have been guaranteed, is it necessary to also disclose information on the guarantor?

A19: Yes, Form No. 8 asks for guarantor information.

Q20: Could you tell us about special exemptions concerning Specified Securities Information?

A20: A company that has continually filing Annual Securities Reports with the FSA over an entire year is required to indicate that it files Annual Securities Reports and they can leave the corporate information section of the Specified Securities Information form (Form No. 8, Section2) blank. Also, there would be no need to present/disclose Issuer Filing Information. Issuers are required to submit Issuance Conditions of the Bonds (information including Part I [Securities Information] which is described in Form No.8.) in place of Specified Securities Information when submitting Listing Application concerning publicly offered bonds such as bonds qualifying for the exemption from certain disclosure requirements under the Financial Instruments and Exchange Act (securities listed in the items of Article 3 of the same Act (municipal bonds, etc.)).

Q21: How would Supplemental SSI be presented in a case in which Program Information has already been disclosed?

A21: If, after presenting Program Information, the party wants to issue and list bonds within the maximum limit, it must file a Supplemental SSI report. Supplemental SSI may be prepared by using Form No. 8 or some other form deemed appropriate by the Exchange pursuant to Rule 204, Paragraph 2 of the Enforcement Rules. Note the Supplemental SSI may simply refer to the Program Information contents. That is, the contents are quite simple, equivalent to a supplemental shelf registration document. Note too that while a supplemental shelf registration document requires continuous disclosure (appendage of or referral to annual and quarterly reports), a Supplemental SSI report merely needs to indicate that an Annual Securities Report has been issued.

Q22: What accounting standards do you recognize?

A22: We recognize three standards: J-GAAP, US-GAAP, and IFRS. We may also recognize an alternative accounting standard that the Exchange deems equivalent to said three standards after evaluation of the standard on a case-by-case basis. When we evaluate such equivalency, we consider the issuer’s track record for disclosure of financial statements based on an accounting standard other than J-GAAP, US-GAAP or IFRS in main domestic or overseas markets such as in Eurobond market or bond market in the United States. In addition, in evaluating an alternative accounting standard, we consider whether there were cases of statutory disclosure by a foreign company made by submitting documents concerning accounting calculation based on

said accounting standards as financial documents that the Commissioner of the Financial Services Agency had deemed not to be lacking in the public interest or investor protection. If an applicant is considering disclosing financial statements based on an accounting standard other than J-GAAP, US-GAAP, or IFRS, please contact us in advance. If an alternative accounting standard deemed acceptable by the Exchange is adopted, the discrepancies in the accounting principles and procedures between the standard adopted and any one of J-GAAP, US-GAAP, or IFRS must be disclosed.

Reference documents: see Article 131, Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.

Q23: Could you tell us how Specified Securities Information is to be disclosed?

A23: Specified Securities Information is to be continually posted either on the website of Tokyo Stock Exchange, Inc. or on the website normally utilized by the issuing party to disclose information. If the latter method is adopted, the issuing party is encouraged to take measures to ensure that the information is communicated to investors reliably and appropriately by, for example, providing the information to information vendors through RNS, which is an information dissemination service provided by the London Stock Exchange.

Q24: How does the Exchange conduct the confirmation of listing eligibility?

A24: The Exchange will confirm that the bonds satisfy the necessary conditions for listing eligibility under items of Regulation 212 of the Special Regulations. In cases where the Exchange cannot confirm that the bonds satisfy the credit rating requirement from Program Information or Specified Securities Information, it will be required to submit the documents about the credit from credit rating agencies. Unlike in the case of listing of a stock, we will simply confirm that certain formal requirements have been met and thus expect our examinations to be limited and to require little time.

Q25: How broadly are you using the term “credit rating agency” within the Special Regulations?

A25: Within the Special Regulations we stipulate credit rating agencies to be “domestic credit rating agencies pursuant to the stipulations of Article 2, Paragraph 36, of the Financial Instruments and Exchange Act and rating agencies established under foreign laws (limited to those that are subject to frameworks of regulations and supervision judged equivalent to those of said domestic credit rating agencies)." Currently, domestic and overseas credit rating firms corresponding to this would include: Standard & Poor's (not necessarily the Japanese entity); Moody’s (not necessarily the Japanese entity); Fitch (not necessarily the Japanese entity); Rating and Investment Information, Inc.; Japan Credit Rating Agency; and RAM Rating Services Berhad. It is possible that we would also recognize other credit rating agencies, so please consult with the Exchange regarding specific cases.

Q26: Would a rating withdrawal be included in delisting criteria?

A26: No, a rating withdrawal would not be included in the criteria.

Q27: Are we correct in our understanding that the level of the rating itself is not an issue; for example, you do not require the rating to be, say, BBB or above?

A27: You are correct in your understanding — the rating itself needs to be disclosed but is not an eligibility criteria.

Q28: Are there any exemptions from the credit rating requirement?

A28: The bond does not have to be rated if it is a domestic or foreign municipal bond or foreign government bond, or is a bond guaranteed by a national government, a local government organization (either domestic or foreign), or a financial institution deemed acceptable by the Exchange (Japan Bank for International Cooperation, Credit Guarantee and Investment Facility, Asian Development Bank, World Bank Group, or a financial institution which is rated by a credit rating agency listed in A25).

Q29: What is a Lead Managing Underwriter List? Is a lead managing underwriter different to a J-Adviser?

A29: The Lead Managing Underwriter List is simply a list of securities companies that could potentially serve as a lead managing underwriter when listing a bond on the TOKYO PRO-BOND Market or when disclosing Program Information. The list is prepared by Tokyo Stock Exchange, Inc. It is unrelated to the J-Adviser system in the TOKYO PRO Market (stock market); that is, the TOKYO PRO-BOND Market does not utilize the J-Adviser system.

Q30: Is the Lead Managing Underwriter List to be prepared for each issuing party, or will there just be one list for use with all issues?

A30: The list is intended for all issues taken together rather than for individual issues. It is to be prepared (and disclosed) by Tokyo Stock Exchange, Inc.

Q31: What are the criteria for registration on the list, and what does it take to get removed from it?

A31: A securities company wishing to register on the list is to file an application with the Exchange. Tokyo Stock Exchange, Inc. will then examine the application while considering such factors as, that party's appropriate domestic and overseas experience as a lead managing underwriter. Conversely, if Tokyo Stock Exchange, Inc. deems the continued listing of a party to be inappropriate (as would be the case, for instance, if that party decides to withdraw from the bond underwriting business),

the Exchange, at its discretion, may remove that party from the list.

Q32: Would a company have to pay some registration fee to get listed on the Lead Managing Underwriter List?

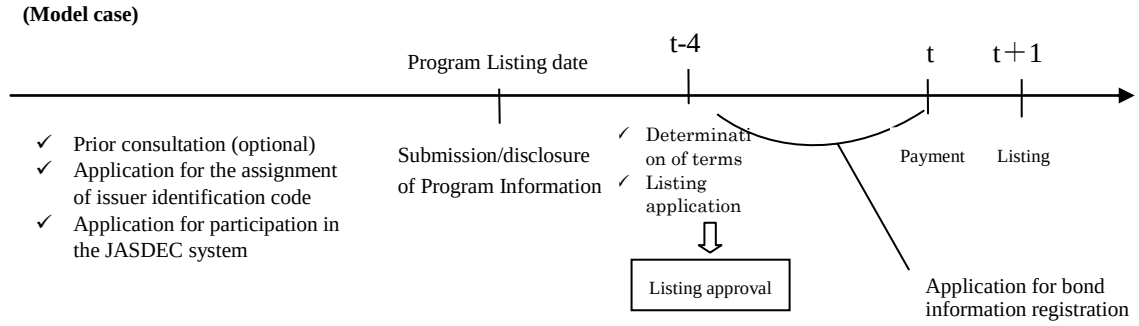
A32: No, it would not. There will be no fee.

Q33: Will there be any exceptions to the lead managing underwriter requirement?

A33: There would be no need for underwriting by a securities company if, say, a financial institution deemed suitable by Tokyo Stock Exchange Inc. were to purchase the whole amount of the bond issue. Here, the financial institution would presumably confirm the quality of the bonds itself. We would thus make an exception in such a case — that is, a lead managing underwriter would not be required.

Q34: What is the procedure for Program Listing and the issuance and listing of individual bonds based on Program Information and the standard schedule for such listing?

A34:



In principle, administrative works for the acceptance of Program Information submitted to the Exchange are completed within the acceptance date. Therefore, the submission date of Program Information will be the disclosure date of Program Information, which is also the Program Listing date.

When individual bonds are to be issued and listed based on Program Information (drawdown), if the listing application is submitted simultaneously with the determination of the issuance terms as in the model case depicted in the chart above, the Exchange will approve the listing normally within the application date, but no later than the following business date, after promptly confirming that the listing eligibility requirements are satisfied. The listing date is usually the day after the payment date. Listing application must be conducted at least five business days prior to the listing date in order for the Exchange to complete the procedures.

In the case of book-entry transfer bonds, an issuing entity that does not have an issuer identification code (5-digit code that constitutes the ISIN code) must obtain one from the Securities Identification Code Committee in advance. An issuing entity who will use the services of Japan Securities Depository Center Inc. (JASDEC) for the first time must submit an application for participation in the JASDEC system in advance. Both of the procedures mentioned above take 1 to 2 weeks. Therefore, issuers are encouraged to complete them before the Program Listing date.

In addition, issuers are required to register bond information by the payment date after the determination of issuance terms in order to obtain an ISIN code.

Q35: What is the procedure for the issuance and listing of bonds not based on Program Information and the standard schedule for such listing?

A35: The procedure and schedule for issuance and listing not based on Program (standalone) are basically the same as those for drawdown discussed in the preceding question except for the portion related to the submission and disclosure of Program Information. Please be advised that requirements are also the same as in the preceding question with regard to the acquisition of issuer identification code and the application for participation in the JASDEC system.

Duty of disclosure of issuer information, other duties (Special Regulations, Regulations 214–220)

Q36: Could you please tell us a bit more about the "timely and appropriate" disclosure regulations?

A36: Items subject to timely and appropriate disclosure are listed in Regulation 215 of the Special Regulations. Specifically, they include such items as dissolutions, bankruptcies, and dishonored notes.

Q37: Could you tell us about the method for timely and appropriate disclosure.

A37: Relevant information listed in Regulation 215 item (1) a, b, item (2) a and b of the Special Regulations is to be disclosed on TDnet. Other relevant information is to be continually posted either on the website of Tokyo Stock Exchange, Inc. or on the website normally utilized by the issuing party to disclose information. If the latter method is adopted, the issuing party is encouraged to take measures to ensure that the information is communicated to investors reliably and appropriately by, for example, providing the information to information vendors through RNS, which is an information dissemination service provided by the London Stock Exchange.

Q38: In what cases would one be exempt from the timely and appropriate disclosure requirements?

A38: The following are exempt from the timely and appropriate disclosure requirements

prescribed in Regulation 215 of the Special Regulations: (1) bonds that require no disclosure of the activities of the party that issued them (as would be the case for municipal bonds, specified corporate bonds, beneficiary certificates of special purpose trusts, and government bonds issued by foreign sovereign issuers); (2) issuers of equities, etc., that are listed on a domestic financial exchange; and (3) the fully owned subsidiaries of such issuers. (That said, issuers are encouraged to actively disseminate the disclosure information required for the listing of stocks, etc. by, for example, making it easily accessible through the website of the issuer or making use of the website of Tokyo Stock Exchange Inc.)

Q39: Can a format other than that of Form No. 10 be used for Issuer Filing Information?

A39: Yes, we accept formats considered appropriate based on the Rule 208, Paragraph 2 of the Enforcement Rules. For example, the disclosure formats utilized in the euro market may be used here as well. As for the sovereign bond, the formats that are stipulated by Cabinet Office Ordinance on Disclosure of Information on Issuers of Foreign Government Bonds can be used. If Form No. 10 is not used, the Exchange will examine, among others, the applicable laws and regulations of the home country in the case where documents disclosed in the home country are referenced, the accounting standards adopted, and the relevant part of the matters listed in Article 7(3)(i) a. through c. of the Cabinet Office Ordinance on Provision or Publication of Securities Information in advance for confirmation.

Q40: In what situations is it not necessary to disclose Issuer Filing Information?

A40: Issuers required to file Annual Securities Reports with the FSA do not need to disclose Issuer Filing Information (this said, issuers are encouraged to actively disseminate disclosure information such as Annual Securities Reports by, for example, making it easily accessible through the website of the issuer or making use of the website of Tokyo Stock Exchange Inc.). Also, it is not necessary to disclose Issuer Filing Information when conducting solicitations for listed bonds that fall under the securities qualifying for the exemption from certain disclosure requirements under the Financial Instruments and Exchange Act (securities listed in the items of Article 3 of the same Act (municipal bonds, etc.)).

Q41: What accounting standards do you recognize?

A41: We recognize three standards: J-GAAP, US-GAAP, and IFRS. We may also recognize an alternative accounting standard that the Exchange deems equivalent to said three standards after evaluation of the standard on a case-by-case basis. When we evaluate such equivalency, we consider the issuer’s track record for disclosure of financial statements based on an accounting standard other than J-GAAP, US-GAAP or IFRS in main domestic or overseas markets such as in Eurobond market or bond market in the United States. In addition, in evaluating an alternative accounting standard, we consider whether there were cases of statutory disclosure by a foreign company made by submitting documents concerning accounting calculation based on said accounting standards as financial documents that the Commissioner of the Financial Services Agency had deemed not to be lacking in the public interest or investor protection. If an applicant is considering disclosing financial statements based on an accounting standard other than J-GAAP, US-GAAP, or IFRS, please

contact us in advance. If an alternative accounting standard deemed acceptable by the Exchange is adopted, the discrepancies in the accounting principles and procedures between the standard adopted and any one of J-GAAP, US-GAAP, or IFRS must be disclosed.

Reference documents: see Article 131, Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc.

Q42: Could you tell us how Issuer Filing Information is to be disclosed?

A42: Issuer Filing Information is to be continually posted either on the website of Tokyo Stock Exchange, Inc. or on the website normally utilized by the issuing party to disclose information. If the latter method is adopted, the issuing party is encouraged to take measures to ensure that the information is communicated to investors reliably and appropriately by, for example, providing the information to information vendors through RNS, which is an information dissemination service provided by the London Stock Exchange.

Q43: To what degree is the issuer expected to maintain a web presence (website)?

A43: Issuers are expected to disclose relevant information on the website of Tokyo Stock Exchange and the issuer's own website. If information is disclosed in the issuer's own website, we require that the issuer's website be easy to use (from the point of view of the investor), with the information within it easy to find and easy to understand. Even when information is disclosed on the website of Tokyo Stock Exchange, we require issuers to make additional efforts to facilitate the dissemination of disclosure information by, for example, displaying within the issuer's website the URL of the website of Tokyo Stock Exchange Inc. to which various links are attached to go to pages in which disclosure materials are available.

Q44: In what cases would listing fees be incurred. How much would they be?

A44: As shown in the Annex 2 of the Enforcement Rules, listing fees are divided into two categories; the fee for Program Listing (“Program Fee”) and the fee for listing of bonds (“Bond etc. Listing Fee”).

Program Fee is 1m yen. No fees would normally be incurred at the annual renewal of the program, but an additional procedural fee of 1m yen would be incurred if the issuer intends to raise the maximum outstanding balance (program amount).

Bond etc. Listing Fee (in the case where Program Information is not used) is 1m yen for new listing.

These fees together with the amount of applicable consumption taxes would be due for payment (excluding the case where the Applicant or the Issuer of Listed Bonds is a foreign entity).

Maintenance of market order, delisting (Special Regulations, Regulations 221–223)

Q45: In what instances would a bond be delisted?

A45: As described in Regulation 222 of the Special Regulations, a bond is subject to delisting in any of the following cases — (1) arrival of the final redemption date; (2) acceleration of the final redemption date of bonds and redemption in the full amount; (3) an absorption-type corporate split or new incorporation with succession by a new entity to obligations related to a listed bond issue; (4) a call for immediate redemption due to a default event; or (5) ceasing to be handled by book-entry transfer operations, etc. of the designated book-entry transfer institution (meaning book-entry transfer operations of the designated book-entry transfer institution or operations conducted by an entity that conducts book-entry transfer operations or custody and book-entry transfer operations for bonds in a foreign country pursuant to the laws and regulations of such foreign country). In addition, as in the case where the listed bond issuer has provided information containing a material misstatement with regard to Specified Securities Information, Issuer Filing Information or securities reports, a determination by the Exchange that delisting is appropriate will lead to the delisting of all bonds issued by the issuer. There may also be cases in which delisting may be taken as a measure against a listed bond issuer for violation of rules and regulations (see Regulation 221, Paragraph 1 of the Special Regulations).

Q46: Could one apply for a delisting in a case other than one of the above?

A46: We do not plan to accept applications for delisting in circumstances other than those set out in A44 above.

Trading system (Business Regulations, etc.)

Q47: Would it be permissible to trade listed bonds off market?

A47: Yes. One may trade listed bonds off market just like any other bond. It is expected that all bond transactions may be traded in the OTC market, which is off the market of the Exchange. The regulations of the Exchange do not apply to bonds traded off the market of the Exchange.

Q48: What would be the minimum trading unit?

A48: For a yen-denominated bond, the minimum trading unit would be ¥100mn face value. For a bond denominated in a foreign currency, it would be the face value of that series.

Q49: What range of investors do you have in mind?

A49: Only (1) specified investors and (2) nonresidents would be allowed to place orders on the TOKYO PRO-BOND Market. Specified investors are considered to include life insurance companies and other accredited institutional investors, listed companies, joint-stock corporations with at least ¥500mn in capital, government agencies, the Bank of Japan, and, in addition to the above, other approved corporations and local governments, together with approved individuals with net financial assets of at least ¥300mn and at least one year of trading experience* (here, “approved” means that the entity must first seek and obtain approval from a securities company).

Q50: Are nonresidents eligible for the Japanese Bond Income Tax Exemption Scheme introduced by the tax system revision in fiscal year 2010?

A50: Yes, they are eligible for the Japanese Bond Income Tax Exemption Scheme, with a few exceptions.

Q51: Are there any limitations on currency with regards to bonds denominated in foreign currencies?

A51: No, there are no special limitations.

Clearance and settlement system (the TOKYO PRO-BOND Market: Trading System and Settlement and Clearance System, etc.)

Q52: How are clearance and settlement to be handled for transactions on the Exchange?

A52: With regards to the buying and selling of domestically issued bonds on the Exchange, clearance and settlement are to be conducted through the Japan Securities Clearing Corporation (hereinafter referred to as “JSCC”). With regards to the buying and selling of foreign issued bonds on the Exchange, clearance and settlement cannot be conducted through the JSCC, and so those functions are instead to be handled on a one-on-one basis by the securities companies on the buying and selling sides. When a transaction is effected, the Exchange will inform the securities companies that are to act as parties to the clearance, etc.

Q53: How are clearance and settlement to be handled for transactions off the Exchange?

A53: For transactions off the exchange, whether in dealing domestic or foreign-issued bonds, clearance and other such matters are to be handled in a manner determined by the relevant securities companies themselves.

ESG Bonds

Q54: What is the purpose of launching a dedicated platform for ESG bonds?

A54: An ESG Bond refers to any type of bond instrument issued to finance projects that aim to solve ESG (e.g., global warming, education/welfare) problems. Green bonds started to be issued mainly by international organizations in the late 2000s. Following the International Capital Market Association (ICMA)'s publication of the "Green Bond Principles" (2014) and "Social Bond Principles" (2017), there has been a growing movement to issue and invest in ESG bonds across the international community. The trend also became more prevalent in Japan after the Ministry of the Environment formulated and published its own "Green Bond Guidelines, 2017". In response to such developments, TSE decided to launch a platform on its official website for issuers to post information about ESG bonds, through which we aim to support issuers' initiatives and contribute to driving the growth of the ESG bonds market.

Q55: What is the positioning of ESG bonds within TOKYO PRO-BOND Market?

A55: For any bond listed on TSE-operated TOKYO PRO-BOND Market, the issuer may choose to label said bond as an ESG bond. The platform serves as a place where an issuer can post such information in accordance with its request as how they're using proceeds pertaining to any bond they have labeled as an ESG bond. Issuers are required to carry out the procedures prescribed in TSE's listing regulations for ESG bonds in the same as those for existing bonds listed on TOKYO PRO-BOND Market.

Q56: What do we need to do to post information pertaining to ESG bonds?

A56: If an issuer wishes to post information pertaining to a bond listed on TOKYO PRO-BOND Market through the platform for ESG bonds, the issuer is required to submit to TSE an application for new listing in which the issuer states such necessary information as use of proceeds, whether it is reviewed by a third-party expert, or whether there is continued reporting.

Q57: What kind of information can an issuer post on the platform?

A57: An issuer is required to post information about the use of proceeds. In addition, the issuer may post information about external review, reporting, and other related information (e.g., eligible projects, and press releases by the issuer).

Q58: Do we have to comply with/refer to some kind of principles or guidelines in order to post information about ESG bonds?

A58: Although there are no internationally uniform definitions or standards for ESG bonds, in order to ensure market transparency and credibility, it is desirable for issuers to indicate the standards they comply with/refer to. Some examples of guidelines

pertaining to Green Bonds include: ICMA's "Green Bond Principles", which are widely referred to around the world; "Climate Bonds Standards", which have been developed by Climate Bonds Initiative (CBI); and, "Green Bond Guidelines", which were established by the Ministry of the Environment, Japan. One example of guidelines for Social bonds is ICMA's "Social Bond Principles". These guidelines provide a certain level of guidance on such matters as the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting. It is desirable for issuers to state the standards they comply with/refer to and their specific initiatives and activities for each item in the standards in addition to information about the use of proceeds. If the issuer uses its own guidelines or the issuer finds it is difficult to indicate it for any reason, it is desirable for the issuer to state the reason together with information about the use of proceeds.

Q59: Do we have to obtain an external review to post information on ESG bonds?

A59: External reviews (including, but not limited to, a consultant review, verification, certification, or rating) are not required. However, the aforementioned guidelines recommend that issuers use external reviews to confirm the alignment of their ESG bonds with the principles/guidelines.

Q60: Are we required to consistently report after bond issuance to be able to post information about ESG bonds?

A60: There is no such requirement. However, the aforementioned guidelines recommend that the issuer periodically publish up-to-date information on the use of proceeds from the issuance of ESG bonds, such as the outline of projects funded by the proceeds, the amount allotted to the projects, and expected results of the projects.

Q61: Where is information pertaining to ESG bonds posted?

A61: You can access the relevant section by clicking the "ESG bonds Information" button on the "TOKYO PRO-BOND Market" webpage. Or, you can reach said section from the "Listed Issues" webpage under "TOKYO PRO-BOND Market" in the JPX Official Website.

Q62: Are there any fees for posting information about ESG bonds on the platform?

A62: No additional fees will be charged to post information about ESG bonds.

Legal, etc.

Q63: When conducting solicitations for newly listed bonds and listed bonds, what procedures are there with respect to the restriction on transfers that is required under the Financial Instruments and Exchange Act?

A63: (For newly listed bonds)

When soliciting purchases by specified investors of a bond issue to be listed on the TOKYO PRO-BOND Market, in principle, either of the following items must be satisfied:

(1) “Transfer restriction agreement” is concluded (a) between the issuing entity and the investor and (b) between the securities company and the investor are required; or

(2) Details of the transfer restriction is included in a document containing information on the securities that is delivered to the investor, such details are explained to the investor by the securities company, and the investor complies with such transfer restrictions.

With respect to the above (1), Financial Service Agency (FSA) explains that there are no specific methods that are exclusively suggested for concluding the relevant “transfer restriction agreements” and it explains how investors could issue the said documents and how securities companies could conclude agreements for and on behalf of issuers (No. 6 on page 5 of the list of answers for the public comments released by FSA on December 2, 2008 and 2-1-2 of the Guidelines for Disclosure of Corporate Affairs, etc.). With this in mind, an example of a securities company and an investor concluding an agreement concerning the bonds to be listed on the TOKYO PRO-BOND Market could be to have a securities company issue a document describing the legally required items for investors. Also, an example of concluding an agreement between an issuer and an investor could be (a) to have the securities company issue a document for investors on behalf of the issuer, or conversely, (b) to have the securities company issue a document for the issuer on behalf of the investor, or (c) to have the securities company stand proxy for both the issuer and the investor (subject to consent from both the issuer and the investor).

When the above documents are issued, it has to be noted that the administration burden of each relevant party should not be increased compared to the case of a new issuance for publicly offered bonds. Therefore, for the “transfer restriction agreement” to be concluded between a securities company and an investor, it could be noted in the relevant document that a comprehensive “transfer restriction agreement”, which is relevant to all issues listed on the TOKYO PRO-BOND Market, could be concluded in advance and prior consent from investors could be obtained to render individual agreements unnecessary. With this method, when a securities company conducts a trade for the TOKYO PRO-BOND Market listed bond with an investor who trades on the TOKYO PRO-BOND Market for the first time, it is only necessary to issue the above document. In addition, with regard to the “transfer restriction agreement” between an issuer and an investor, the investor could grant a comprehensive proxy to a securities company if, for example, the method described in the above (b) is applied.

FSA upholds the position that "The duties of notification for qualified institutional investors do not require an issuance of a notification per individual trade, provided that a document that comprehensively describes the details of the notification is issued in advance and that consent from the qualified institutional investors is

obtained." (No. 4 on page 5 of the list of answers for the public comments released by FSA on December 22, 2009) This means that a comprehensive notification could be accepted if targeted securities are specified in the relevant document and that consent from investors is obtained to render a notification per individual trading unnecessary. This intention should also apply to the “transfer restriction agreement” and to the relevant grant of proxy in case of solicitations of purchases, etc. by specified investors. As for the means to specify the targeted securities, "TOKYO PRO-BOND Market listed issue" will be sufficient.

Furthermore, the “transfer restriction agreement” is described as being effective when the agreement is concluded between the parties concerned, which also means that its format (e.g. whether or not signatures and/ or seals are required) can be decided by the parties concerned.

For example, a transfer restriction agreement between an issuer and an investor can be concluded by (i) writing the details of the transfer restriction stipulated in the Financial Instruments and Exchange Act in the bond agreement between the issuer and the bondholder (the shasai-yoko or the Terms and Conditions for Bond) and (ii) an investor applies to purchase the bonds with understanding of the agreement details and understanding that the agreement details are based on the stipulation of the Financial Instruments and Exchange Act.

With respect to the above (2), the details of the transfer restriction could be included in the “Terms and Conditions for Bond” as a condition for the transaction, which is delivered to the investor. "The document deemed necessary and appropriate by the financial instruments exchange in the public interest or for investor protection in the case of the securities being those issued in a foreign country" specified in Article 12, Item 1, Sub-item b (2) of the Cabinet Order on Regulation of Trading of Marketable Securities means, in addition to the Terms and Conditions for Bond, a document generally delivered to the investor that includes the conditions for the transaction based on the laws and regulations, operational practices, etc. of such foreign country (so-called pricing supplement, etc. that include the conditions for the transaction) and that is also deemed by the Exchange to constitute part of the specified securities information.

(For listed bonds)

With regards to OTC (off-Exchange) trading of bond issues listed on the TOKYO PRO-BOND Market, solicitations for sale, etc. to specified investors are required to be accompanied by a “transfer restriction agreement” between the soliciting party and the investor. Depending on the type of the trade (purchase or sale) made by an investor, an investor may serve as the purchaser (and the securities company will serve as the solicitor) or as the solicitor (and the securities company will be the purchaser).

As for the “transfer restriction agreement” in this context, basically, it can be deemed to be the same as the “transfer restriction agreement” in case of conducting solicitation of purchase by specified investors. This means that the said agreement could be concluded by having a securities company issue a document that describes the legally required items for investors.

With regards to OTC (off-Exchange) trading of the listed bonds, transactions are

expected to be conducted frequently and the administrative burden is likely to be increased if a “transfer restriction agreement” needs to be concluded per individual trade. Therefore, it could be noted in the relevant document that a comprehensive “transfer restriction agreement”, which is relevant to all issues listed on the TOKYO PRO-BOND Market, could be concluded in advance and prior consent from investors could be obtained to render individual agreements unnecessary. With this method, when a securities company conducts a trade for the TOKYO PRO-BOND Market listed bond with an investor who trades on the TOKYO PRO-BOND Market for the first time, it is only necessary to issue the above document.

FSA upholds the position that "The duties of notification for qualified institutional Investors do not require an issuance of a notification per individual trading, provided that a document that comprehensively describes the details of the notification is issued in advance and that consent from the qualified institutional investors is obtained." (No. 4 on page 5 of the list of answers for the public comments released by FSA on December 22, 2009) This means that a comprehensive notification could be accepted if targeted securities are specified in the relevant document and that consent from investors are obtained to render a notification per individual trading unnecessary. This intention should also apply to the “transfer restriction agreement” and to the relevant grant of proxy in case of solicitations for sale, etc. to specified investors. As for the means to specify the targeted securities, "TOKYO PRO-BOND Market listed issue" will be sufficient.

(Disclosure exempt securities)

The above descriptions are based on securities subject to the disclosure rules of corporate bonds, etc. On the other hand, for securities that are not subject to the disclosure rules of the Financial Instruments and Exchange Act, such as domestic local government bonds, etc., procedures pertaining to the “transfer restriction agreement” are not required for such bonds.

Reference documents:

With regards to solicitations of purchases by specified investors: see Article 2, Paragraph 3, Item 2-b (2) of the Financial Instruments and Exchange Act; Article 1-5-2, Paragraph 2, Item 3 of the Enforcement Order of the Financial Instruments and Exchange Act; and Article 12, Item 1-b, and Article 11-2, Paragraph 1 of the Cabinet Order on Regulation of Trading of Marketable Securities.
With regards to solicitations for sales to specified investors: see Article 2, Paragraph 4, Item 2-b (2) of the Financial Instruments and Exchange Act; Article 1-8-2, Item 3 of the Enforcement Order of the Financial Instruments and Exchange Act; and Article 13-6, Item 1-b, and Article 13-5, Paragraph 1 of the Cabinet Order on Regulation of Trading of Marketable Securities.
With regards to the disclosure-exempt securities: see Article 3 of the Financial Instruments and Exchange Act.

Q64: What are the duties of notification regarding a bond listing?

A64: When soliciting purchases by specified investors of a bond issue to be listed on the TOKYO PRO-BOND Market, the party conducting the solicitation must notify the party

receiving the solicitation. The notification does not necessarily have to be in writing. However, items to be comprehensively notified regarding all of the issues to be listed on the TOKYO PRO-BOND Market could be described in advance in a document concerning the said “limited transfer contracts” and prior consents from investors could be obtained to render individual notification unnecessary.

Furthermore, with regards to OTC (off-Exchange) trading of bond issues listed on the TOKYO PRO-BOND Market, the party conducting the solicitation is required to notify the party receiving the solicitation. As in the case of the new listings, when the first trading concerning the TOKYO PRO-BOND market listed bonds is to be conducted, items that have to be comprehensively notified and that are relevant to all of the issues to be listed on the TOKYO PRO-BOND Market could be described in the document concerning the “limited transfer contract” in advance and prior consents from investors could be obtained to render individual notification unnecessary.

Reference documents: see Article 23-13, Paragraph 3, Item 1 of the Financial Instruments and Exchange Act; and Article 14-14-2, Paragraph 2, Item 3, of the Cabinet Office Ordinance on Disclosure of Corporate Information.

Q65: Could you please tell us something about the contents of and system for underwriting examinations and due diligence examinations by securities companies? What duties or restrictions are imposed by the TOKYO PRO-BOND Market rules?

A65: We do not include within the TOKYO PRO-BOND Market rules any specific duties with regards to the systems for contents of underwriting and due diligence examinations by securities companies. We intend for securities companies to decide on a case-by-case basis the extent of their examinations in reference to practices on the euro market and other markets.

Relating to this, the TOKYO PRO-BOND Market has the following features.

1. In a case in which the issuing company is a continuous disclosure company (for example, a company that lists on a Japanese exchange), the legal risks based on Articles 17 and 21 of the Financial Instruments and Exchange Act to be borne by the underwriting securities company will be considerably lightened, considering that (1) continual disclosure documents (annual and quarterly financial reports) are not referred within the Specified Securities Information report (equivalent to a Securities Registration Statement or supplemental shelf registration document), but rather the Specified Securities Information report may simply indicate that an Annual Securities Report has been issued, and (2) continual disclosure documents are exempt from the civil liability burden additionally imposed on securities companies by Articles 17 and 21 of the Financial Instruments and Exchange Act (also applies to Specified Securities Information) (in other words, the securities company is not to bear the additional responsibility for the continuous disclosure documents of the issuing company).

2. Regulations imposed by the JSDA on underwriting examinations do not apply.

3. The market is for professionals, not individual investors (other than high-net-worth individuals who are included in the definition of Specified Investors), and thus the

TOKYO PRO-BOND Market does not anticipate that securities companies will conduct underwriting and due diligence examinations with considerations of the protection of individual investors. Securities companies do this with an eye to standby underwriting risk (the risk of having to take on the portion of the bonds that remain after an offering) and reputational risk (for example, the risk of price fluctuation by a substantial revision in the contents of disclosures or a material announcement by the issuing company immediately after the issuance).

Reference documents:

With regards to civil liabilities: see Article 27-33 and Article 21, Paragraph 1, Item 4 of the Financial Instruments and Exchange Act.

With regards to the items to be listed within the Specified Securities Information reports to be disclosed by continuous disclosure companies: see Article 27-31 of the Financial Instruments and Exchange Act and Article 2, Paragraph 2, Item 1 of the Cabinet Office Ordinance on Disclosure of Corporate Information.

With regards to cases in which Issuer Filing Information is not required to be disclosed: see Article 27-32, Paragraph 1 of the Financial Instruments and Exchange Act and Article 7, Paragraph 5 of the Cabinet Office Ordinance on Disclosure of Corporate Information.

With regards to the duties of underwriters: see Article 40, Item 2 of the Financial Instruments and Exchange Act and Article 123, Paragraph 1, Item 4 of the Enforcement Order of the Financial Instruments and Exchange Act.

Q66: Is the TOKYO PRO-BOND Market data to be included within Japan Securities Dealers Association (JSDA)'s Reference Statistical Prices (Yields) for OTC transactions?

A66: Bonds listed on the TOKYO PRO-BOND Market or issued based on the Program Information submitted to the Exchange are included within JSDA's Reference Statistical Prices (Yields) for OTC transactions.