

## Q&A on Own Share Repurchase on the TSE Market

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Tokyo Stock Exchange, Inc.

### 1. Cabinet Office Ordinance on Regulations of Securities Transactions, etc.

<Position of Cabinet Office Ordinance etc.>

Q1: What is the position of the Cabinet Office Ordinance on Regulations of Securities Transactions, etc.?

### 2. Purchase in the Auction Market

<Price of Purchase Order>

Q2: Is there a specific number or standard which applies to price regulation in "continuously repeating purchases" (*hanpuku-keizoku*)?

Q3: If we comply with the price regulations in the Cabinet Office Ordinance, does it mean that we are not conducting acts such as market manipulation or price pegging?

Q4: What are the criteria for purchase prices on the ex-rights date or before the opening price is determined?

<Number of Shares in Purchase Order>

Q5: The company is listed on an domestic exchange(s) other than TSE (i.e., multiple listing). If we conduct a share buyback in the TSE market, are the "purchase order volume criteria" calculated by aggregating the trading volume on all domestic exchanges where shares are listed?

Q6: Please illustrate how the purchase order volume criteria are calculated with actual figures.

Q7: What happens where the company reduced the number of shares in the trading unit during the calculation period?

<General Questions>

Q8: What exactly is a pre-announced share buyback?

Q9: What is the relationship between pre-announced share buybacks and the Cabinet Office Ordinance?

Q10: What are the merits of a pre-announced share buyback?

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(Reference Translation)

- Q11: What kind of transaction is a closing price transaction (ToSTNeT-2)?
- Q12: What is the flow of events in a pre-announced closing price transaction (ToSTNeT-2)?
- Q13: What rules apply to closing price transactions (ToSTNeT-2)?
- Q14: What kind of transaction is an off-auction own share repurchase transaction (ToSTNeT-3)?
- Q15: What is the flow of events of a share buyback which is a pre-announced off-auction own share repurchase (ToSTNeT-3)?
- Q16: What rules apply to executions via off-auction own share repurchase transactions (ToSTNeT-3)?
- Q17: What is a pre-announced buyback in the auction market?
- Q18: In the provisions on pre-announced share buybacks (Article 23 of the Cabinet Office Ordinance), it states limit order at a price equal to or lower than the closing price on the previous day. How is the purchase price handled with regards to a pre-announced share buyback in the auction market, via closing price transaction (ToSTNeT-2), or off-auction own share repurchase (ToSTNeT-3).

<Pre-Announcement regarding Share Buyback, etc.>

- Q19: In addition to registering in TDnet and distributing material to the press club, are we also required to submit a notice on the pre-announcement in a pre-announced share buyback, and result of such buyback to TSE?
- Q20: At what time should a decision on share buyback via closing price transaction (ToSTNeT-2) or off-auction own share repurchase (ToSTNeT-3) be announced to the press club? What time should it be disclosed in order for it to make the morning edition of the newspapers on the following day?

<Entrustment to a Securities Company, etc.>

- Q21: Why is the use of "cross-orders" prohibited in a share buyback via closing price transaction (ToSTNeT-2)? Also, is it possible to place buy and sell orders through a single securities company?
- Q22: In a pre-announced share buyback, is it possible to entrust purchases to multiple securities companies?

<Purchase Volume, etc.>

- Q23: A company intends to purchase shares via closing price transaction (ToSTNeT-2) after a shareholder sounds out the company about selling 1,000,000 shares. Will setting the number of shares scheduled to be purchased at 1,000,000 shares result in depriving other shareholders of the opportunity to sell their shares?
- Q24: The company has reached a resolution in a general shareholders meeting to purchase up to 1,000,000 shares. It then purchased 600,000 shares in the auction market. Can the company purchase the remaining shares (up to 400,000) in a pre-announced share buyback? What should the company do if it wishes to purchase more than that decided in the buyback program?
- Q25: In a pre-announced share buyback, is it possible to conduct a buyback on the day using a method other than that announced?

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<Time of Conducting Buyback, etc.>

Q26: Our company is planning to conduct a pre-announced share buyback, and we are also scheduled to revise our earnings forecast. Is there anything we should pay attention to regarding disclosure or the timing of the buyback?

Q27: Our company is purchasing its own shares in the auction market. Is it possible for us to conduct normal purchases on the auction market up to the day before the purchase date of a pre-announced buyback, and conduct the pre-announced buyback on the following day?

Q28: If a pre-announced share buyback is conducted through multiple transactions, is there a certain interval required between each purchase?

<Other Points to Note>

Q29: When conducting a pre-announced share buyback, is it necessary to have a special resolution of a general shareholders meeting on "acquisition from specific shareholders"?

Q30: An executive officer of the company is planning to sell his/her shares. Can the company conduct a pre-announced buyback with the seller being an executive officer of the company?

Q31: Is the use of pre-announced buybacks limited to certain purposes such as retiring shares or purchases in relation to stock options.

Q32: Are there any other matters to pay attention to when utilizing the pre-announced buyback method?

#### 4. Guidelines Concerning Own Share Repurchase

Q33: What is the "Guidelines Concerning Own Share Repurchase"?

#### 5. Other (Legal System of Treasury Stock, etc.)

Q34: For the authorized number of shares which was resolved in a general shareholders meeting or based on the authorized number of shares in the Articles of Incorporation, what is the amount of shares that the company is obliged to purchase?

Q35: My company has reached a resolution on a share buyback program in a general shareholders meeting or based on the authorized number of shares in the Articles of Incorporation. Is it necessary to have the resolution of the board of directors for each individual purchase decision, such as via closing price transaction (ToSTNeT-2) or off-auction own share repurchase (ToSTNeT-3)?

Q36: Give me an overview of timely disclosure rules, etc. relating to share buybacks.

Q37: What processing is done after a purchase?

Q38: While the Cabinet Office Ordinance prescribes the methods of purchase, does it also prescribe cases of selling shares?

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## 1. Cabinet Office Ordinance on Regulations of Securities Transactions, etc.

### <Position of Cabinet Office Ordinance etc.>

Q1: What is the position of the Cabinet Office Ordinance on Regulations of Securities Transactions, etc.?

Chapter 5 of the Cabinet Office Ordinance on Regulations of Securities Transactions, etc. (hereafter "the Cabinet Office Ordinance") contains certain regulations to be complied with when purchasing own shares so as to ensure the prevention of unfair acts such as market manipulation. If such regulations are violated, monetary penalties, etc. shall be imposed.

The provisions of Article 162-2 of the Financial Instruments and Exchange Act aim to prevent acts of market manipulation. The Cabinet Office Ordinance prescribes patterns of acts which are deemed to have low likelihood of market manipulation based on past cases of market manipulations and deliberations by the Securities and Exchange Council, etc. Following the patterns of repurchase prescribed in the Cabinet Office Ordinance will be expected to reduce the likelihood of violating the regulations on market manipulations and facilitate smooth repurchase of own shares.

## 2. Purchase in the Auction Market

### <Price of Purchase Order>

Q2: Is there a specific number or standard which applies to price regulation in "continuously repeating purchases" (*hanpuku-keizoku*)?

There is no specific number of times or conditions defined for "continuously repeating purchases" (*hanpuku keizoku*). Since the actual situation behind transactions needs to be considered on a case-by-case basis, there are no fixed operational standards which quantify or define "continuously repeating purchases". As such, based on the provisions of "continuously repeating purchases", it is possible to conduct smooth purchases of issues such as those with low liquidity.

However, it goes without saying that companies must take care not to conduct purchases which will arouse any hint of market manipulation, such as buying up and lifting the stock price up to a very high level when the price is on a downward trend.

Q3: If we comply with the price regulations in the Cabinet Office Ordinance, does it mean that we are not

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conducting acts such as market manipulation or price pegging?

The Cabinet Office Ordinance was established as specific matters to be observed with respect to own share repurchase. As such, its purpose and requirements are different from the provisions regarding market manipulation restrictions.

Therefore, even if the formal conditions of the Cabinet Office Ordinance specified based on Article 162-2 of the Financial Instruments and Exchange Act are satisfied, acts such as wash sales or conspiracy trades may fall under the market manipulation stipulated in Article 159 of the Act. Moreover, even if you comply with the price regulation, you will not necessarily be exempt from price pegging charges.

The provisions of Article 162-2 of the Financial Instruments and Exchange Act were established with the aim of preventing acts of market manipulation. The Cabinet Office Ordinance prescribes patterns of trading which are deemed to have low likelihood of market manipulation based on past judicial cases of market manipulation and deliberations by the Securities and Exchange Council. Following the patterns of repurchase prescribed in the Cabinet Office Ordinance will prevent transactions which fall under those with a high likelihood of market manipulation and contribute to fair purchases of own shares.

Q4: What are the criteria for purchase prices on the ex-rights date or before the opening price is determined?

At TSE, the ex-rights date or the ex-dividend date is one business days prior to the record date for rights for a stock split or dividend .

An investor who purchases stocks on the ex-rights date or the ex-dividend date is not eligible for the stock split or the receipt of dividend, unlike those who purchased it before such date. As such, the base price for trading on the ex-rights date or ex-dividend date is set at a price derived by deducting the corresponding portion of value for rights or dividend from the closing price on the day before such date. The base price of an order to repurchase own shares placed before the determination of the opening price is adjusted in the same way.

|                          | Stock Split (2-for-1)   | Dividend (10 yen per share)  |
|--------------------------|---|--|
| X-2                      | Closing price 1,000 yen   |  |
| X-1                      | ▼ Ex-rights date<br>Base price<br>$1,000 \text{ yen} \times 1/2 = 500 \text{ yen}$<br>(adjusted based on 1:2 split ratio) | ▼ Ex-dividend date<br>Base price<br>$1,000 \text{ yen} - 10 \text{ yen} = 990 \text{ yen}$<br>(deduct dividend amount) |
| Record Date for Rights X | Settlement of trades on X-2 → Eligible for stock split or dividend  |  |

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|     |  |
|-----|--|
| X+1 | Settlement of trades on X-1 → Not eligible for stock split or dividend |
|-----|--|

**<Number of Shares in Purchase Order>**

Q5: The company is listed on an domestic exchange(s) other than TSE (i.e., multiple listing). If we conduct a share buyback in the TSE market, are the "purchase order volume criteria" calculated by aggregating the trading volume on all domestic exchanges where shares are listed?

Even for a multiple listing issue, if repurchase is done in a market, only the trading volume on the market in which the repurchase is made is taken into consideration when calculating the volume criteria. This is because the purchase order volume criteria are based on the perspective of effect on the market on which the share repurchase is made. In addition, exchanges may have schemes or systems for off-auction transactions such as ToSTNeT transactions mentioned later. The trading volume of transactions in such markets is not included in calculations.

Q6: Please illustrate how the purchase order volume criteria are calculated with actual figures.

The purchase volume criteria are as follows. The daily purchase order volume shall not exceed the greater of the criteria below.

| Volume Criteria 1   | Volume Criteria 2   |
|---|---|
| Trading volume in trading units is 25% of the daily average trading volume on the exchange in the preceding four weeks from the week of the purchase date | Prescribed according to the classification of the monthly average trading volume in trading units on the exchange in the preceding 6 months from the month of the purchase date |

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|  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
|--|---|-------------------------|-------------------------|---|--|-------------------------|--|----|--|-------------------|-----------------|-----------------|-----------------|----------------|---|------------------------|--|-------|--|---------------------|-----------------|
| <table><tr><td>4weeks (week of Sep.3)</td></tr><tr><td>3weeks (week of Sep.10)</td></tr><tr><td>2weeks (week of Sep.17)</td></tr><tr><td>1week (week of Sep.24)</td></tr><tr><td>◆24th is holiday</td></tr><tr><td>●Purchase date (Oct. 3)</td></tr></table> | 4weeks (week of Sep.3)  | 3weeks (week of Sep.10) | 2weeks (week of Sep.17) | 1week (week of Sep.24)                          | ◆24th is holiday   | ●Purchase date (Oct. 3) | <table><tr><td rowspan="7">}</td><td>6 months (Apr.)</td></tr><tr><td>5 months (May)</td></tr><tr><td>4 months (Jun.)</td></tr><tr><td>3 months (Jul.)</td></tr><tr><td>2 months (Aug.)</td></tr><tr><td>1 month (Sep.)</td></tr><tr><td>●Purchase date (Oct. 3)</td></tr></table> | }  | 6 months (Apr.)  | 5 months (May)    | 4 months (Jun.) | 3 months (Jul.) | 2 months (Aug.) | 1 month (Sep.) | ●Purchase date (Oct. 3)   |                        |  |       |  |                     |                 |
| 4weeks (week of Sep.3)   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| 3weeks (week of Sep.10)  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| 2weeks (week of Sep.17)  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| 1week (week of Sep.24)   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| ◆24th is holiday   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| ●Purchase date (Oct. 3)  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| }  | 6 months (Apr.)   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
|  | 5 months (May)  |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
|  | 4 months (Jun.)   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
|  | 3 months (Jul.)   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
|  | 2 months (Aug.)   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
|  | 1 month (Sep.)  |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
|  | ●Purchase date (Oct. 3)   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| <table><tr><td>Total trading volume</td></tr><tr><td>19 trading days</td></tr><tr><td>//</td></tr><tr><td>Daily average trading volume in trading units</td></tr></table>  | Total trading volume  | 19 trading days         | //                      | Daily average trading volume in trading units   | <table><tr><td>Total trading volume</td></tr><tr><td>6 months</td></tr><tr><td>//</td></tr><tr><td>Monthly average trading volume in trading units</td></tr></table> | Total trading volume    | 6 months   | // | Monthly average trading volume in trading units  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| Total trading volume   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| 19 trading days  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| //   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| Daily average trading volume in trading units  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| Total trading volume   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| 6 months   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| //   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| Monthly average trading volume in trading units  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| <p>Volume criteria 1 = Daily average trading volume in trading units</p>   | <table><tr><td colspan="2"><hr/></td></tr><tr><td>Monthly average trading volume in trading units</td><td>Volume criteria 2</td></tr><tr><td colspan="2"><hr/></td></tr><tr><td></td><td>10 trading units or 50% of daily average trading volume calculated in Volume Criteria 1 (if less than 3 trading units, it shall be 3 trading units), whichever is less</td></tr><tr><td>400 units or more</td><td></td></tr><tr><td colspan="2"><hr/></td></tr><tr><td></td><td>5 trading units or 50% of daily average trading volume (if more, less than 3 trading units, it shall be 3 trading units), whichever is less</td></tr><tr><td>200 units or 400 units</td><td></td></tr><tr><td colspan="2"><hr/></td></tr><tr><td>Less than 200 units</td><td>3 trading units</td></tr></table> | <hr/>                   |                         | Monthly average trading volume in trading units | Volume criteria 2  | <hr/>                   |  |    | 10 trading units or 50% of daily average trading volume calculated in Volume Criteria 1 (if less than 3 trading units, it shall be 3 trading units), whichever is less | 400 units or more |                 | <hr/>           |                 |                | 5 trading units or 50% of daily average trading volume (if more, less than 3 trading units, it shall be 3 trading units), whichever is less | 200 units or 400 units |  | <hr/> |  | Less than 200 units | 3 trading units |
| <hr/>  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| Monthly average trading volume in trading units  | Volume criteria 2   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
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| 400 units or more  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| <hr/>  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
|  | 5 trading units or 50% of daily average trading volume (if more, less than 3 trading units, it shall be 3 trading units), whichever is less   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| 200 units or 400 units   |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| <hr/>  |   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |
| Less than 200 units  | 3 trading units   |                         |                         |   |  |                         |  |    |  |                   |                 |                 |                 |                |   |                        |  |       |  |                     |                 |

In an actual case, if the daily average trading volume is calculated as 60,000 shares, and the monthly average trading volume is 1,000,000 shares (The trading unit is 100 shares), the company will be allowed to place orders of up to 60,000 shares.

| Volume Criteria 1   | Volume Criteria 2  |
|---|--|
| <p>Daily average trading volume (60,000 shares)</p> <p>= <u>60,000 shares</u></p> | <p>Monthly average trading volume = 400 units or more</p> <p>10 trading units (1,000 shares)</p> <p>or</p> <p>→ 1,000 shares</p> <p>60,000 shares × 50% = 30,000 shares</p> <p>whichever is less</p> |

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Q7: What happens where the company reduced the number of shares in the trading unit during the calculation period?

If the number of shares in a trading unit was reduced, calculations will be made using the new trading unit. If the trading unit was changed from 1,000 shares to 100 shares as below, the purchase order volume can be up to 1,000 shares.

| Volume Criteria 1  | Volume Criteria 2   |
|--|---|
| 4 weeks...15,000 shares<br>3 weeks...17,000 shares<br><reduce number of shares 1,000 shares→100 shares><br>2 weeks...20,000 shares<br>1 week...15,000 shares<br>Total trading volume...67,000 shares<br>↓<br>Daily average trading volume...<br>67,000 shares / 20 trading days / <u>100 shares</u><br>=33.5 units<br><br>Volume criteria 1<br>...Daily average trading volume = 33.5...units<br><u>(3,300 shares)</u> | 6 months...60,000 shares<br>5 months...55,000 shares<br>4 months...50,000 shares<br>3 months...45,000 shares<br>2 months...55,000 shares<br>1 months...67,000 shares<br>Total trading volume...332,000 shares<br>↓<br>Monthly average trading volume<br>...332,000 shares / 6 months / 100 shares<br>=553.3...units<br><br>Volume criteria 2<br>...Monthly average trading volume = 400 units or more<br>10 trading units<br>or<br>33.5 trading units × 50% = 16.75 shares<br>whichever is less<br>→10 trading units (1,000 shares) |

(Note) Cases for which the volume is adjusted are presumed to include cases where a company is listed on TSE from another exchange market during the calculation period, and cases of stock splits, etc.

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<General Questions>

Q8: What exactly is a pre-announced share buyback?

When a company plan to buy its shares from its shareholders, the company releases details on its plan to repurchase shares from the market on the day before the purchase (i.e., pre-announcement). The actual repurchase is then conducted either on the auction market (in this Q&A, it means buybacks through trading in the auction market during the morning or afternoon session), closing price transaction (ToSTNeT-2), or off-auction own share repurchase (ToSTNeT-3). This whole process is known as a pre-announced share buyback.

In a buyback in the auction market or by closing price transactions, sell orders from shareholders and the purchase order for the share buyback by the company are executed together with other orders from investors or securities companies. In contrast, an off-auction own share repurchase only allows buy orders from the company conducting the buyback and sell orders from investors on the day of the purchase, and is used only for acquiring own shares at the closing price on the previous day.

By releasing information on a share buyback in advance, investors who wish to sell their shares in the company are able to do so with information on the share buyback already in the public domain, thereby avoiding potential insider trading issues related to share buybacks.

Transactions in the auction market, pre-announced share buybacks via closing price transactions and off-auction own share repurchase are repurchase methods which fulfill the requirements prescribed in Article 23 of the Cabinet Office Ordinance (methods deemed appropriate from the perspective of fairness of transactions), which means from Article 17 to 20 of the Ordinance are not applied to the methods.

Q9: What is the relationship between pre-announced share buybacks and the Cabinet Office Ordinance?

Pre-announced share buybacks are methods deemed appropriate from the perspective of fairness of transactions due to being conducted in accordance with the requirements prescribed in Article 23 of the Cabinet Office Ordinance. The three "methods deemed appropriate by a financial instruments exchange" in the Cabinet Office Ordinance are (1) pre-announced share buyback in the auction market, (2) pre-announced share buyback via closing price transaction (ToSTNeT-2), and (3) pre-announced off-auction own share repurchase (ToSTNeT-3). Please note that ToSTNeT-1 trades are not included in "methods deemed appropriate by a financial instruments exchange" even if disclosed in advance.

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Q10: What are the merits of a pre-announced share buyback?

In general, pre-announced share buybacks have the following merits.

- (1) Flexibly determine when to conduct buybacks while observing daily price movement, and also reduce cost because, unlike takeover bids, statutory public announcement is not required.
- (2) Purchase, in a batch, own shares from shareholders.
- (3) Avoid violation of insider trading regulations and market manipulation through prior disclosure.
- (4) Secure trading opportunities for other shareholders, as well as fairness and transparency of transactions, based on TSE trading rules.

In addition to these, pre-announced closing price transactions (ToSTNeT-2) and Off-auction own share repurchase transactions (ToSTNeT-3) have the following merits and they are the preferred methods for conducting share buybacks.

- (1) Since the transaction is based on a price which is set in advance, the purchase consideration (for shareholders, it is the sales proceeds) is fixed in advance.
- (2) Secures trading opportunities for other shareholders through the application of time priority(ToSTNeT-2) or on a pro-rata basis (ToSTNeT-3).
- (3) No direct market impact since the transaction is based on a price which is set in advance and conducted outside of auction trading hours.

Q11: What kind of transaction is a closing price transaction (ToSTNeT-2)?

"Closing price transaction (ToSTNeT-2)" is a transaction on the TSE ToSTNeT market (hereafter "off-auction market").

Specifically, it is a transaction which consolidates buy and sell orders during off-auction hours and executes them at the closing price set in the auction market. There are 3 trading hours for off-auction trading that are 8:20 a.m.-8:45 a.m. (closing price of previous day and previous day's VWAP), 11:30 a.m.-12:15 p.m. (morning session closing price and previous day's VWAP), and 3:30 p.m.-4:30 p.m. (closing price of the day, afternoon session closing price VWAP, and VWAP for the day). Share buybacks are conducted between 8:20 a.m. and 8:45 a.m. using the previous day's closing price (i.e., share buybacks cannot be conducted using previous day's VWAP).

Q12: What is the flow of events in a pre-announced closing price transaction (ToSTNeT-2)?

The overview of the flow of events in a share buyback through a pre-announced

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closing price transaction (ToSTNeT-2) is as follows.

Actual flow of events

|                  | Buyback based on resolution of general shareholders meeting                                     | Buyback based on resolution of board of directors  |
|------------------|---|--|
|                  | - Decide on share buyback (authorized number of buyback shares) at general shareholders meeting | - Initial resolution of board of directors on share buyback based on Articles of Incorporation |
|                  | - Resolution of share buyback at general shareholders meeting                                   |  |
|                  | - Confirm selling intent with sellers   |  |
| X-1              | - Decide details of purchase via closing price transaction                                      |  |
| from 15:30       | - Register purchase details in TDnet  |  |
| X                | - Place an order with the securities company  |  |
| 8:20             | - Closing price transaction starts, securities company places the order with TSE                |  |
| 8:45             | - Closing price transaction ends  |  |
| from 8:45 onward | - Register result of the purchase in TDnet  |  |

There are some cases like where an initial resolution of a board of directors on a share buyback program (type of shares to be repurchased, total number of shares, total repurchase value, length of repurchase period which is within 1 year) and details on purchase via closing price transaction is reached and announced at the same time. However, a more effective way to facilitate even wider knowledge of the initial resolution on the share buyback before actually conducting the share buyback would be to first announce the initial board resolution on the share buyback, and then disclose the details of the planned repurchase via closing price transaction in a separate announcement.

Q13: What rules apply to closing price transactions (ToSTNeT-2)?

As a general rule, in closing price transactions (ToSTNeT-2), sell and buy orders are matched (\*) based on time priority of orders placed to the TSE market.

In addition, a "cross-order" (a closing price transaction order type) is executed without regard for time priority. Since fairness must be ensured among shareholders, "cross-orders" cannot be used in own share repurchase. Also, VWAP transactions are limited to transactions by "cross-orders" and are not available for own share repurchase.

An example of transactions is illustrated below using actual figures. (A securities company places orders in the TSE market from 8:20 a.m.)

8:22 a.m.: Only sell orders

| Sell | Buy |
|------|-----|
|------|-----|

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|       |                       |  |
|-------|-----------------------|--|
| Co. A | 100,000 shares (8:20) |  |
| Co. B | 50,000 shares (8:22)  |  |

8:25 a.m.: Buy order from Company C results in execution of 30,000 shares

| Sell  |   | Buy   |   |
|-------|---|-------|---|
| Co. A | <del>100,000 shares (8:20)</del><br>70,000 shares remaining | Co. C | <del>30,000 shares (8:25)</del><br>Fully executed |
| Co. B | 50,000 shares (8:22)  |       |   |

8:30 a.m.: Buy order from Company D results in execution of 120,000 shares

| Sell  |   | Buy   |   |
|-------|---|-------|---|
| Co. A | <del>70,000 shares (8:20)</del><br>Fully executed | Co. D | <del>150,000 shares (8:30)</del><br>30,000 shares remaining |
| Co. B | <del>50,000 shares (8:22)</del><br>Fully executed |       |   |

8:33 a.m.: Cross-order from Company E results in priority execution of 100,000 shares

| Sell  |  | Buy   |  |
|-------|--|-------|--|
|       |  | Co. D | 30,000 shares (8:30)                           |
| Co. E | <del>100,000 shares (cross order) (8:33)</del> | Co. E | <del>100,000 shares (cross order) (8:33)</del> |

Q14: What kind of transaction is an off-auction own share repurchase transaction (ToSTNeT-3)?

"Off-auction own share repurchase transaction (ToSTNeT-3)" is a transaction in the TSE ToSTNeT market. It is available only for share buybacks, and different from closing price transactions which are available for other types of trading.

Specifically, the securities company that is entrusted to place the order by the company conducting the share buyback notifies TSE of the share buyback (issue, purchase volume, purchase price, etc.) on the business day before the planned buyback. On the purchase date, sell orders are consolidated and matched with the buy order from the company between 8:00 a.m. and 8:45 a.m. The purchase price will be the closing price on the auction market of the previous day (including final special quote. If the purchase date is an ex-dividend date, etc., or if there is no final price (including final special quote price) on the preceding business day, this shall be the base price on the purchase date).

Only the company conducting the buyback may place buy orders.

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Q15: What is the flow of events of a share buyback which is a pre-announced off-auction own share repurchase (ToSTNeT-3)?

The overview of the flow of events in a share buyback through off-auction own share repurchase (ToSTNeT-3) is as follows.

Actual flow of events

|                   |      | Buyback based on resolution of general shareholders meeting                                     | Buyback based on resolution of board of directors  |
|-------------------|------|---|--|
|                   |      | - Decide on share buyback (authorized number of buyback shares) at general shareholders meeting | - Initial resolution of board of directors on share buyback based on Articles of Incorporation |
|                   |      | - Resolution of share buyback at general shareholders meeting                                   |  |
|                   |      | - Confirm selling intent from sellers   |  |
| X-1               |      | - Decide details of purchase via off-auction own share repurchase transaction                   |  |
| from 15:30 onward |      | - Place order with securities company   |  |
|                   |      | - Securities company notifies TSE of off-auction own share repurchase (by 17:00)                |  |
|                   |      | - Register purchase details in TDnet  |  |
| X                 | 8:00 | - Start accepting sell orders for off-auction own share transaction                             |  |
| from 8:45 onward  | 8:45 | - Stop accepting sell orders for off-auction own share transaction, transaction later executed  |  |
|                   |      | - Register result of purchase in TDnet  |  |

There are cases where an initial resolution of a board of directors on a share buyback program (type of shares to be acquired, total number of shares, total acquisition value, length of acquisition period which must be within 1 year) and details on purchase via off-auction own share repurchase transaction is reached and announced at the same time. However, a more effective way to facilitate even wider knowledge of the initial resolution on the share buyback before actually conducting the share buyback would be to first announce the initial board resolution on the share buyback, and then disclose the details of the planned purchase via off-auction own share repurchase transaction in a separate announcement.

Q16: What rules apply to executions via off-auction own share repurchase transactions (ToSTNeT-3)?

In an off-auction own share repurchase transaction (ToSTNeT-3), a buy order from the company conducting the share buyback is matched with sell orders accepted between 8:00 a.m. and 8:45 a.m. at the purchase price (the securities company will notify TSE of the buy order by the company on the business day before the buyback).

If the total sell order volume falls within the buy order volume, all sell orders will be fully executed.

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However, if the sell order volume exceeds buy order volume, sell orders will be allocated shares on a pro-rata basis and then executed accordingly.

Shares are allocated on a pro-rata basis according to the following rules.

- (1) Priority is allocated according to the attribute of the person placing the order and transactions are executed in such priority.

First priority Sell application volume based on orders entrusted by customers (excluding financial instruments business operators and authorized transaction-at-exchange operators)

Second priority Sell application volume based on financial instruments business operators' own account

In other words, transactions are first executed between the first priority sell orders and the buy order, and then second priority sell orders are executed if there is remaining buy order volume.

- (2) Transactions are executed as follows for each priority specified in (1). If the sell application volume from a single trading participant exceeds the buy order volume, such volume shall be deemed to be the same as the buy application volume.

- i. The priority is decided on a trading participant basis in descending order of aggregated application volume. The minimum trading unit will take priority over the remaining portion of volume and be executed. (If multiple trading participants have applied with the same volume, time priority applies amongst orders by those trading participants.)
- ii. The remaining portion of application volume other than the minimum trading unit is executed for such portion multiplied by the pro-rata ratio of such portion per trading participant. (Such ratio shall be a ratio of the purchase volume after matching the minimum unit against the remaining sell application volume after the allocated minimum unit.) However, portions less than the minimum unit will be discarded.
- iii. Trading participants are ranked in priority of descending order of discarded volume in ii., and the minimum unit is executed accordingly. (if the discarded volume is identical, the priority shall be decided in the same way as i.)

Execution is illustrated below using actual figures.

(Trading unit of the issue is 1 share, when purchase for 100 shares is applied for by 5 companies as below)

|  | Proprietary/Entrusted, Sell Application | Volume Executed volume based on allocation of minimum unit (i) (a) | Distribution based on pro-rata allocation (ii.) (b) | Distribution of remaining purchase volume after pro-rata allocation (3 shares) (iii.) (c) | Total Execution Volume (a+b+c) |
|--|---|--|---|---|--------------------------------|
|  |   |  |   |   |                                |

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|       |                      |   |    |   |    |
|-------|----------------------|---|----|---|----|
| Co. A | Ent. 120 shares (*1) | 1 | 48 | 0 | 49 |
|       | Prop. 50 shares (*2) | 0 | 0  | 0 | 0  |
| Co. B | Ent. 60 shares       | 1 | 28 | 1 | 30 |
| Co. C | Ent. 20 shares       | 1 | 9  | 0 | 10 |
| Co. D | Ent. 15 shares       | 1 | 6  | 1 | 8  |
| Co. E | Ent. 5 shares        | 1 | 1  | 1 | 3  |

(\*1) The sell application volume exceeds the buy volume (100 shares) and, thus, is deemed as 100 shares.

(\*2) Proprietary application volume is second priority, but since buy order volume is fully executed with order volume having first priority, no shares falling under the second priority are executed.

Q17: What is a pre-announced buyback in the auction market?

Other than share buybacks via closing price transaction (ToSTNeT-2) and off-auction own share repurchase (ToSTNeT-3), companies may also conduct share buybacks in the auction market.

In the Cabinet Office Ordinance, in a pre-announced buyback on the auction market, the purchase order must be less than or equal to the closing price on the previous day (market orders are prohibited).

In the auction market, the purchase price is determined by the price and number of shares of sell and buy orders, in other words demand and supply, in the market. If the stock price moves at a price above the purchase order price during the day, it means that the buyback order will not be executed on that day.

On the other hand, in terms of trading rules, for order execution, a market order will be fully executed. As such, sellers may place market orders to increase the possibility of order execution. (However, the sale price will depend on the demand and supply in the market at such time.)

## Actual flow of events

|                   | Buyback based on resolution of general shareholders meeting  | Buyback based on resolution of board of directors  |
|-------------------|--|--|
|                   | - Decide on share buyback (authorized number of buyback shares) to be voted upon at general shareholders meeting                                   | - Initial resolution of board of directors on share buyback based on Articles of Incorporation |
|                   | - Resolution of share buyback at general shareholders meeting  |  |
|                   | - Confirm selling intent from sellers  |  |
| X-1               | - Decide on purchase details in auction market (buy limit order at price lower than previous day's closing price, no. of shares to purchase, etc.) |  |
| from 15:30 onward | - Register purchase details in TDnet   |  |
| X                 | - Place order to a securities company  |  |

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|                  |   |   |
|------------------|---|---|
| from 8:00 onward | - | Securities company places order on TSE market                                   |
| from 9:00 onward | - | Transaction executes (based on auction trading rules (time and price priority)) |
| from 9:00 onward | - | Register result of purchase in TDnet  |

Q18: In the provisions on pre-announced share buybacks (Article 23 of the Cabinet Office Ordinance), it states limit order at a price equal to or lower than the closing price on the previous day. How is the purchase price handled with regards to a pre-announced share buyback in the auction market, via closing price transaction (ToSTNeT-2), or off-auction own share repurchase (ToSTNeT-3).

In the case of a pre-announced share buyback in the auction market, limit orders at a price equal to or lower than the previous day's closing price are allowed. If there is no trade execution or special quote price on the previous day, the price of the limit order can be based (i.e., equal to or lower than) on the execution price, etc. on the day before the previous day.

For closing price transactions (ToSTNeT-2) from 8:20 a.m. to 8:45 a.m., the transaction price is either the final price in regular trading on the previous day (including final Special Quote price. If the purchase date is an ex-dividend date, etc., or if there is no final price on the previous business day (including final Special Quote price) this shall be the base price of such issue on the purchase date.) or VWAP on the previous day, while share buybacks can be conducted using the final price on the previous day. The transaction price in off-auction own share repurchase (ToSTNeT-3) is the same as that for closing price transaction.

Therefore, at the end of auction trading, for instance, a trade is executed at 1,000 yen, the transaction price between 8:20 a.m. and 8:45 a.m. on the following day shall be 1,000 yen.

For example, the last execution occurs at 2:30 p.m. at 1,000 yen, and the auction trading session ends without any other execution. In this case, the transaction price will be the final price in Zaraba (continuous auction) trading.

However, if the last execution occurs at 2:30 p.m. at 1,000 yen, and as a result of buy orders reaching the market, a special buy quote is displayed at 1,060 yen at the end of the auction trading session, in this case, even though the last execution price is 1,000 yen, the transaction price at 8:45 a.m. on the following day will not be 1,000 yen, but instead be the final special quote price of 1,060 yen. If there is no execution price or final special quote price, the transaction price will be the base price on the purchase date.

In addition, if the share buyback is conducted on an ex-rights date, investors are reminded that the transaction price in closing price transaction and off-auction own share repurchase may differ from the final price or final special quote price in the same way as explained in Q4.

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**<Pre-Announcement regarding Share Buyback, etc.>**

Q19: In addition to registering in TDnet and distributing material to the press club, are we also required to submit a notice on the pre-announcement in a pre-announced share buyback, and result of such buyback to TSE?

The routine procedure requires a decision on a pre-announced share buyback and disclosure in relation to the results of the buyback to be registered in TDnet, and, where necessary, material having the same content shall be distributed to the press club. The company does not need to submit a notice to TSE.

If the company is also listed on another exchange, there may be separate procedures in accordance with such other exchange's rules. Please check with the other exchanges on such requirements.

Q20: At what time should a decision on share buyback via closing price transaction (ToSTNeT-2) or off-auction own share repurchase (ToSTNeT-3) be announced to the press club? What time should it be disclosed in order for it to make the morning edition of the newspapers on the following day?

Companies are requested to make the announcement immediately after the decision has been made. Announcement of a share buyback decision does not guarantee that it will make the morning edition of the newspapers on the following day. However, whether or not an announcement makes the morning edition will not influence legal considerations regarding the pre-announced share buyback.

Material is normally distributed to the press club located on the premises of TSE by 6 p.m. Companies are recommended to contact the press club in advance if material is likely to be distributed only after 6 p.m.

In addition, please note that if a buyback is conducted via off-auction own share repurchase transaction (ToSTNeT3), the securities company, to which the purchase order is entrusted, must notify TSE by 5 p.m.

**<Entrustment to a Securities Company, etc.>**

Q21: Why is the use of "cross-orders" prohibited in a share buyback via closing price transaction (ToSTNeT-2)? Also, is it possible to place buy and sell orders through a single securities company?

In closing price transaction (ToSTNeT-2), there are 2 ways to place orders through a securities company: placing "cross-orders" in which buy and sell orders are matched in advance, and placing "orders other than cross-orders" in which buy and sell orders are placed separately by the securities company. "Cross-orders"

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are prohibited in a share buyback.

As such, while you may place both buy and sell orders to a single securities company, the securities company which receives the orders will have to place them separately as "orders other than cross-orders". Therefore, when entrusting a buy order to a securities company, and the opposing order to the buy order is also or likely to be entrusted to the same securities company, as a precaution, it may be important to remind the securities company to place such buy and sell orders separately to TSE.

Orders are executed based on time priority in closing price trading. Since time priority is disregarded when executing cross-orders, cross-orders would become equivalent to a means of excluding orders from other participants. This would be in violation of the principles of shareholder equality in the Companies Act.

Q22: In a pre-announced share buyback, is it possible to entrust purchases to multiple securities companies?

Article 17 of the Cabinet Office Ordinance limits the number of securities companies in normal purchases in the auction market to 1 per day. However, this provision does not apply to pre-announced share buybacks (Article 23 of the same cabinet office ordinance), and a company may entrust its purchases to multiple securities companies.

#### **<Purchase Volume, etc.>**

Q23: A company intends to purchase shares via closing price transaction (ToSTNeT-2) after a shareholder sounds out the company about selling 1,000,000 shares. Will setting the number of shares scheduled to be purchased at 1,000,000 shares result in depriving other shareholders of the opportunity to sell their shares?

Trade execution in closing price transaction (ToSTNeT-2) is based on time priority. As such, in terms of trading rules, doing so will not result in excluding other shareholders. Therefore, even if the company conducting the share buyback sets the scheduled number of shares to be purchased at 1,000,000 shares in response to a sell order for 1,000,000 shares from certain shareholders, this does not necessarily limit other shareholders' opportunities to trade.

There are also cases where a company sets the scheduled number of shares to be purchased at a figure that is slightly higher. Such response is effective from the perspective of further providing other shareholders with opportunities to trade. (For example, a certain seller wants to sell 1,000,000 shares, and

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the company conducting the buyback places an order for 1,100,000 shares as the scheduled number of shares to be purchased, thereby providing other shareholders with the opportunity to sell 100,000 shares)

In addition, even in a share buyback through off-auction own share repurchase transaction (ToSTNeT-3), where the sell application volume exceeds the purchase volume, transactions will be executed based on pro-rata allocation, thereby providing other shareholders with the opportunity to sell their shares.

Q24: The company has reached a resolution in a general shareholders meeting to purchase up to 1,000,000 shares. It then purchased 600,000 shares in the auction market. Can the company purchase the remaining shares (up to 400,000) in a pre-announced share buyback? What should the company do if it wishes to purchase more than that decided in the buyback program?

In the Companies Act, a resolution on the class of shares to be repurchased, total number of shares, maximum total repurchase value, and a repurchase period of not more than 1 year, is required to be reached in a general shareholders meeting. The remaining 400,000 shares in accordance with a share buyback based on a general shareholders meeting can be purchased through a pre-announced share buyback.

If it is a share buyback in relation to the provisions of the Articles of Incorporation, the company can conduct the buyback after reaching a resolution of its board of directors. If a company wishes to purchase more than the remaining amount, it will need to set a share buyback program through a resolution of its board of directors.

Q25: In a pre-announced share buyback, is it possible to conduct a buyback on the day using a method other than that announced?

On the day of a pre-announced share buyback, as a general rule, only the pre-announced method is allowed by the cabinet office ordinance. Therefore, normal purchases on the auction market are not allowed on the purchase date of closing price transaction (ToSTNeT-2) or off-auction own share repurchase (ToSTNeT-3). (In cases such as conducting purchases through trust banks, etc., the company may need to instruct them not to conduct purchases on the purchase date of a pre-announced buyback.)

However, if the number of shares to be purchased through a share buyback conducted via closing price transaction or off-auction own share repurchase is less than the scheduled number of shares to be purchased, a number of shares within the scope of the remaining volume can be purchased on the auction market. In such cases, these are conducted with restrictions on price and purchase volume in the same way as normal share buybacks. (In other words, if there is a shortfall of less than 100,000 shares from the

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scheduled number of shares to be purchased, a company that can only buy 10,000 shares in a day can only purchase up to 10,000 shares, not 100,000 shares.)

**<Time of Conducting Buyback, etc.>**

Q26: Our company is planning to conduct a pre-announced share buyback, and we are also scheduled to revise our earnings forecast. Is there anything we should pay attention to regarding disclosure or the timing of the buyback?

When conducting a pre-announced share buyback, if there is any "material fact" such as that mentioned in your question, your company is required to announce such fact before conducting the buyback.

In addition, when a decision is made to sell or entrust the sale of relevant shares before conducting a pre-announced share buyback, the buyback cannot be conducted until one business day has passed from the day following the announcement of the decision.

Q27: Our company is purchasing its own shares in the auction market. Is it possible for us to conduct normal purchases on the auction market up to the day before the purchase date of a pre-announced buyback, and conduct the pre-announced buyback on the following day?

There is no particular restriction on conducting a pre-announced buyback on the day after conducting normal purchases on the auction market. However, please refer to the Cabinet Office Ordinance and "Guidelines Concerning Own Share Repurchase" published by TSE, and also bear in mind market manipulation issues so as to avoid any influence on price formation.

In addition, from perspectives such as preventing issues related to insider trading regulations caused by trading by persons related to the company for purposes other than own share repurchase, and timely disclosure of material facts, companies are required to announce the current state of purchases in the auction market (purchase period, number of shares purchased, market where purchase was conducted) when conducting the pre-announcement of the details of the buyback.

Q28: If a pre-announced share buyback is conducted through multiple transactions, is there a certain interval required between each purchase?

There are no special requirements on certain intervals between each purchase as

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long as there are secure management structures or frameworks in relation to insider trading regulations and the purchases are appropriate in terms of being for the purpose of own share repurchase.

**<Other Points to Note>**

Q29: When conducting a pre-announced share buyback, is it necessary to have a special resolution of a general shareholders meeting on "acquisition from specific shareholders"?

No. According to the Companies Act, companies are required to pass a special resolution of a general shareholders meeting before acquiring shares from specific shareholders. A pre-announced buyback is a market transaction, also, time priority rules apply in the execution of buy and sell orders in closing price transactions (ToSTNeT-2), the sell application volume exceeding purchase volume is allocated on a pro-rata basis in off-auction own share repurchase (ToSTNeT-3), and time and price priorities apply in the auction market. As such, in terms of trading rules, this does not guarantee purchase from any specific counterparty. Therefore, purchases can be made based on share acquisition procedures through market transactions, etc. after a resolution of a general shareholders meeting or a board of directors.

Q30: An executive officer of the company is planning to sell his/her shares. Can the company conduct a pre-announced buyback with the seller being an executive officer of the company?

Pre-announced buybacks involving sellers who are directors, etc. of the company are not totally prohibited. However, since directors, etc. of a company have extremely close associations with corporate information of the company, and as such, even more caution is required from the viewpoint of insider trading regulations. In addition, it will be appropriate to pay due attention to the time of such intended sale and the price level, in consideration of the intent of provisions related to transactions which have conflicts of interest between directors and the company as prescribed in the Companies Act.

Q31: Is the use of pre-announced buybacks limited to certain purposes such as retiring shares or purchases in relation to stock options.

This scheme may be used for own share buybacks regardless of the purpose of such buybacks.

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Q32: Are there any other matters to pay attention to when utilizing the pre-announced buyback method?

This scheme is a method prescribed in Article 23 of the Cabinet Office Ordinance. It requires prior disclosure of the purchase price and volume as well as other matters which would be of reference to investors such as information that there is an expected sale corresponding to the scheduled number of shares to be purchased. In addition, the purchase order must be entrusted in accordance with the details which were announced.

As such, when using this method, besides sufficiently confirming the content of the order with the securities company when entrusting the order, the company should also explain the contents to the expected seller to ensure that purchase and sell orders are appropriately entrusted according to the details of the announced buyback.

#### **4. Guidelines Concerning Own Share Repurchase**

Q33: What is the "Guidelines Concerning Own Share Repurchase"?

The "Guidelines Concerning Own Share Repurchase" was published on November 1, 2004. It is a TSE compilation of matters which come under scrutiny during trading surveillance of own share repurchases. We believe that the guidelines serve as a reference for companies to avoid raising suspicions of market manipulation and other unfair acts when conducting purchases.

Since the enforcement of the Cabinet Office Ordinance, companies have had comply with its provisions. However, companies are reminded to pay attention to some items which are only described in the guidelines such as purchases before account settlement or during a financing period.

#### **5. Other (Legal System of Treasury Stock, etc.)**

Q34: For the authorized number of shares which was resolved in a general shareholders meeting or based on the authorized number of shares in the Articles of Incorporation, what is the amount of shares that the company is obliged to purchase?

A company has no obligation with regard to the authorized number of shares such as purchasing at least a certain amount of shares.

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Q35: My company has reached a resolution on a share buyback program in a general shareholders meeting or based on the authorized number of shares in the Articles of Incorporation. Is it necessary to have the resolution of the board of directors for each individual purchase decision, such as via closing price transaction (ToSTNeT-2) or off-auction own share repurchase (ToSTNeT-3)?

After a resolution has been reached on a share buyback program in a general shareholders meeting or based on the authorized number of shares in the Articles of Incorporation, when purchases are made via closing price transaction (ToSTNeT-2) or off-auction own share repurchase (ToSTNeT-3), we have seen cases where authority is delegated to the CEO or executive directors, etc. within a certain scope of specific details of individual purchases (purchase date, purchase price, number of shares to be purchased, etc.). Please handle specific details of individual purchases carefully since they are also considered insider information.

Q36: Give me an overview of timely disclosure rules, etc. relating to share buybacks.

With regard to share buybacks, besides the resolution on the authorized number of shares at a general shareholders meeting pursuant to Article 156 of the Companies Act, and the resolution of the board of directors based on the authorized number of shares in the Articles of Incorporation pursuant to Article 165, Paragraph 2 of the Companies Act, companies are required to disclose matters such as details on conducting the buyback and completion of the acquisition.

For details, please refer to the Corporate Information Timely Disclosure Guidebook (available only in Japanese). In addition, the Financial Instruments and Exchange Act stipulates that, after a resolution on a share buyback at a general shareholders meeting or the board of directors meeting based on the authorized number of shares in the Articles of Incorporation, regardless of whether there is an acquisition, the company is required to submit a report on the status of own share repurchases for each month.

Q37: What processing is done after a purchase?

The following are the expected methods of processing treasury stock.

1. Retire through a resolution of the board of directors
2. Use treasury stock as substitute during a stock swap, etc.
3. Sell after completing procedures for issuance of shares for offering (resolution of board of directors, etc. on type and number of shares offered, paid-in amount, payment deadline or period)
4. Use to deliver shares in response to requests to convert convertible bonds

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5. Use to deliver shares in response to stock acquisition requests from shareholders whose shareholding is less than the Share Unit in the provisions of the Articles of Incorporation

In addition, disposition of shares acquired in response to requests from shareholders whose shareholding is less than the Share Unit will also involve disposition of treasury stock as above.

Q38: While the Cabinet Office Ordinance prescribes the methods of purchase, does it also prescribe cases of selling shares?

There is no specific provision in the Cabinet Office Ordinance on selling shares.

(Note) This document was prepared based on questions received by TSE with regard to handling related to purchases of own shares with reference to the various laws and regulations which were in effect or scheduled for enforcement as of March 2015. The answers give an overview or a brief summary of the main points. For details, please refer to the relevant laws and regulations.

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