

Rules Regarding Just and Equitable Principles of Trade

(As of April 4, 2022)

Osaka Exchange, Inc.

Rule 1. Purpose

These Rules prescribe acts to be stipulated by OSE pursuant to Rule 51 of the Trading Participant Regulations.

Rule 2. Definitions

1. "Derivative instruments" shall mean market derivatives referred to in Article 2, Paragraph 21, Item 2 of the Act that pertain to indices (limited to those which indicate the overall price level of a large number of securities that are listed or continually traded on a financial instruments exchange in Japan or foreign financial instruments market; the same shall apply hereinafter) (including similar derivatives traded on foreign financial instruments markets; hereinafter referred to as "index futures"), market derivatives referred to in Article 2, Paragraph 21, Item 3 of the Act that pertain to indices (including similar derivatives traded on foreign financial instruments markets; hereinafter referred to as "index options"), over-the-counter derivatives that pertain to indices, and any other securities or certificates for which the amount of the dividend, interest, distribution, redemption value, etc. are calculated based on the value of an index or price of an index future by a pre-determined method (including securities or certificates with the same characteristics that are issued by foreign governments or corporations), as well as market derivatives referred to in Article 2, Paragraph 21, Item 2 of the Act that pertain to commodities (meaning commodities referred to in Article 2, Paragraph 24, Item 3-3 of the Act; the same shall apply in this rule), commodity indices (meaning indices which indicate the overall price level of commodities; the same shall apply hereinafter) or prices of commodities (including similar derivatives traded on foreign financial instruments markets; hereinafter referred to as "commodity futures"), market derivatives referred to in Article 2, Paragraph 21, Item 3 of the Act that pertain to commodities (including similar derivatives traded on foreign financial instruments markets; hereinafter referred to as "commodity futures options"), over-the-counter derivatives prescribed in Article 2, Paragraph 14 of the Commodity Derivatives Transaction Act (Act No. 239 of 1950), and any other securities or certificates for which the amount of the dividend, interest, distribution, redemption value, etc. are calculated based on a price of a commodity, physically delivered commodity future or cash-settled commodity future by a pre-determined method (including securities or certificates with the same characteristics that are issued by foreign governments or corporations).

2. "Tracker investment trust securities" shall mean investment trust beneficiary certificates (meaning beneficiary certificates of investment trusts), foreign investment trust beneficiary certificates (meaning beneficiary certificates of foreign investment trusts; the same shall apply hereinafter in this paragraph), investment securities, foreign investment securities, beneficiary certificates of beneficiary certificate-issuing trusts (meaning beneficiary certificates of beneficiary certificate-issuing trusts whose trust properties are certificates or securities issued by a domestic corporation in a foreign country that are securities with the characteristics of corporate bonds, certificates or securities issued by a foreign corporation in a foreign country that are securities with the characteristics of corporate bonds, foreign investment trust beneficiary certificates, foreign investment securities or beneficiary certificates of foreign beneficiary certificate-issuing trusts (meaning securities or certificates with the characteristics of beneficiary certificates of beneficiary certificate-issuing trusts issued by a foreign corporation)), or beneficiary certificates of foreign beneficiary certificate-issuing trusts whose purpose is to track an index, commodity index or prices of commodity futures.

3. A "subsidiary or parent company" of a Trading Participant shall mean a foreign corporation engaged in business similar to financial instruments business that is a subsidiary (meaning a subsidiary prescribed in Article 2, Item 3 of the Companies Act (Act No. 86 of 2005) or another company in which a Trading Participant holds 50 percent or more of the voting rights (excluding voting rights of shares that are not entitled to vote on all matters that may be resolved at a general meeting of shareholders, but including voting rights of the shares deemed to have voting rights pursuant to Article 879, Paragraph 3 of the Companies Act); the same shall apply hereinafter) of the total shareholders) or parent company (meaning a parent company prescribed in Article 2, Item 4 of the Companies Act, or another company which holds 50 percent or more of the voting rights of the total shareholders of a Trading Participant; the same shall apply hereinafter) of the Trading Participant. In such cases, in the event that a subsidiary of a Trading Participant is the parent company of another company and in the event that another company is the parent company of a subsidiary of a Trading Participant, said other company shall be deemed to be a subsidiary of said Trading Participant. Furthermore, in the event that another company is the parent company of the parent company of a Trading Participant and in the event that the parent company of a Trading Participant is the parent company of another company, said other company shall be deemed to be a parent company of said Trading Participant.

4. A "cash market" shall mean a financial instruments exchange market operated by a domestic

financial instruments exchange for the purpose of trading securities or a foreign financial instruments market.

5. A "derivative instruments market" shall mean a financial instruments exchange market or a foreign financial instruments market operated for the purpose of trading derivative instruments.
6. "Securities options, etc." shall mean securities options (meaning market derivatives referred to in Article 2, Paragraph 21, Item 3 of the Act that pertain to trading of listed securities (including similar derivatives traded on a foreign financial instruments market, etc.) and those eligible for over-the-counter trading, as well as those similar to such securities options; the same shall apply hereinafter in this rule and the following rule), rights which allow their holder to carry out a transaction to pay/receive an amount of money that is calculated based on the price of listed securities according to a predetermined manner, or rights relating to securities or certificates whose dividends, interest, distributions, or redemption value is calculated based on the price of listed securities according to a predetermined manner.
7. "Arbitrage trading" shall mean trading using the relationship between the level of the contract price of an index future and the level of the index, in which Trading Participants/investors sell, purchase or settle (with the final settlement price) index futures, while at the same time selling or purchasing different multiple securities (limited to securities selected in such a way that fluctuation in the total value of said securities approximates the fluctuations of the index underlying the index futures) of an amount corresponding to the contract value of said index futures (including similar trading using index options).

Rule 3. Action of Trading Participants

Actions stipulated by OSE as prescribed in Rule 51 of the Trading Participant Regulations shall be the actions enumerated in each of the following items.

- (1) An action concerning trading or other activities across two markets
- (2) An action concerning arbitrage trading
- (3) An action concerning tender offers
- (4) An action concerning stabilizing transactions
- (5) Any other actions that impair the protection of investors or harm fair trading

Rule 4. Action Concerning Trading or Other Activities Across Two Markets

1. Actions concerning trading or other activities across two markets prescribed in Item 1 of the preceding rule shall mean the actions enumerated in the following items that are conducted by a Trading Participant in connection with trading for its own account, for the account of a subsidiary or parent company of said Trading Participant, or for the account of an affiliate engaged in

financial instruments business (limited to transactions in which investment decisions are substantially left to said Trading Participant; the same shall apply hereinafter).

- (1) A party holding one of two products whose prices are interrelated conducting false trading in the other product with the aim of obtaining profit by causing other persons to misunderstand the trading conditions of the first product.
 - (2) A party holding one of two products whose prices are interrelated conspiring in advance with another party and making collusive trades in the other product with the aim of obtaining profit by causing other persons to misunderstand the trading conditions of the first product.
 - (3) A party holding one of two products whose prices are interrelated acting to cause the price of the other product to fluctuate by trading in that product with the aim of obtaining profit by inducing trading in the first product.
 - (4) A party holding one of two products whose prices are interrelated circulating rumours about the other product with the aim of obtaining profit by inducing trading in the first product.
 - (5) A party holding a derivative instrument acting intentionally to cause an index or the price of an index future or a commodity future to fluctuate, or to prevent an index or the price of an index future or a commodity future from rising or falling, in order to make final settlement or exercise said derivative instrument to its own advantage, or a party holding unsettled short positions on a derivative instrument doing the same in order to prevent them being exercised, by trading securities on a cash market or trading index futures, index options, commodity futures or commodity futures options on a derivative instruments market.
 - (6) A party holding securities options, etc. trading in the listed securities underlying said securities options, etc. in order to intentionally cause the price of said listed securities to fluctuate, or to prevent the price of said listed securities from rising or falling, in order to exercise them or calculate margin to its own advantage, or a party holding unsettled short positions on securities options doing the same in order to prevent them being exercised.
 - (7) Knowing that a customer will soon entrust an order which may have a considerable effect on the market price of one of two products whose prices are interrelated, using that knowledge to obtain profit by trading in the other product in advance of said order being placed.
2. The two products whose prices are interrelated as provided in the preceding paragraph shall mean the products referred to in each of the following items.
- (1) A derivative instrument and a listed security

- (2) A tracker investment trust security and a listed stock
- (3) A derivative instrument and a tracker investment trust security
- (4) A securities option, etc. and a listed security underlying said securities option

Rule 5. Actions Concerning Arbitrage Trading

1. Actions concerning arbitrage trading prescribed in Rule 3, Item 2 shall mean the actions enumerated in the following items that are conducted by Trading Participants.
 - (1) In the event that the Tokyo Stock Price Index (meaning the free-float adjusted market capitalization-weighted stock price index that is calculated by JPX Market Innovation & Research, Inc. (hereinafter referred to as "JPXI")) based on securities selected by JPXI as constituents ; hereinafter referred to as "TOPIX") falls below its closing value on the previous day (one business day earlier if this falls on a non-business day; the same shall apply hereinafter) with a range greater than that stipulated in the following paragraph, a Trading Participant makes sales (excluding those based on brokerage for clearing of securities, etc.) pertaining to arbitrage transactions for its own account, for the account of a subsidiary or parent company of said Trading Participant, or for the account of an affiliate that operates financial instruments business, during the period from the time that TOPIX falls beyond such range until the difference between the value of TOPIX and the closing value on the previous day narrows down within the range stipulated in Paragraph 3 (or, in the event that it has not narrowed down within said range by the end of the afternoon session, until the end of the afternoon session).
 - (2) In the event that TOPIX has risen above its closing price on the previous day with a range greater than that stipulated in the following paragraph, a Trading Participant makes purchases (excluding those based on brokerage for clearing of securities, etc.) pertaining to arbitrage transactions for its own account, for the account of a subsidiary or parent company of said Trading Participant, or for the account of an affiliate that operates financial instruments business, during the period from the time that TOPIX rises beyond such range until the difference between the value of TOPIX and the closing value on the previous day narrows down within the range stipulated in Paragraph 3.
2. The fluctuation range beyond which sales and purchases pertaining to arbitrage transactions are restricted pursuant to each item of the preceding paragraph shall be as follows, according to the level of the closing value of TOPIX on the previous day.

Closing value of TOPIX on the previous day	Fluctuation range
Less than 2,000 points	100 points

2,000 points or more, but less than 3,000 points	150 points
3,000 points or more, but less than 4,000 points	200 points
4,000 points or more	250 points

3. The fluctuation range within which restrictions on sales and purchases pertaining to arbitrage transactions are lifted pursuant to each item of Paragraph 1 shall be as follows, according to the level of the closing value of TOPIX on the previous day.

Closing value of TOPIX on the previous day	Fluctuation range
Less than 2,000 points	70 points
2,000 points or more, but less than 3,000 points	100 points
3,000 points or more, but less than 4,000 points	130 points
4,000 points or more	160 points

4. Notwithstanding the provisions of the preceding two paragraphs, OSE may change the fluctuation ranges stipulated in said paragraphs if it considers necessary in light of stock market conditions, etc.

Rule 6. Actions concerning Tender Offers

Actions concerning tender offers prescribed in Rule 3, Item 3 shall mean the actions enumerated in the following items that are conducted by Trading Participants.

- (1) The following actions in cases where the Trading Participant becomes an entity that handles affairs enumerated in each item of Article 8, Paragraph 4 or each item of Article 14-3-3, Paragraph 4 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No.321 of 1965; hereinafter referred to as "the Enforcement Order") for the tender offeror, or an entity that conducts purchases, etc. (meaning purchases, etc. prescribed in Article 27-2 of the Act; the same shall apply hereinafter) of stocks, etc. (meaning share certificates, etc. prescribed in Article 27-2 of the Act; the same shall apply hereinafter) through the tender offer on behalf of the tender offeror (hereinafter referred to as a "tender offeror-related party").
 - a. Leaking or using without permission, after the decision to become a tender offeror-related party, special information on the tender offer obtained in the course of performing duties.
 - b. Conducting, after the decision to become a tender offeror-related party, purchases, etc. (including purchases, etc. under a discretionary investment contract) of stocks,

- etc. issued by an issuer of the stocks, etc. pertaining to the tender offer for its own account before the day of public notice on the tender offer, for the purpose of selling, etc. (meaning sales, etc. prescribed in Article 27-2 of the Act) to the tender offeror, etc. (meaning the tender offeror, etc. prescribed in Article 27-3 of the Act).
- (2) Becoming a tender offeror-related party with respect to a tender offer with the knowledge that the tender offer is being made by a party that intends to use the tender offer to obtain unfair gains by selling stocks, etc. it holds at favorable prices.
 - (3) With respect to the tender offer, buying up stocks of a company and using the resulting position as a large holder of said stocks to sell them at favorable prices to a person or entity connected to said issuer against their will, or acceptance of orders (excluding acceptance of entrustment of brokerage for clearing of securities, etc.) to buy said stocks from a person or entity which intends to commit a similar act.

Rule 7. Actions Concerning Stabilizing Transactions

Actions concerning stabilizing transactions prescribed in Rule 3, Item 4 shall mean those enumerated in each of the following items conducted by Trading Participants.

- (1) Actions (excluding acceptance of entrustment of purchase transactions of securities that are carried out by exercising an option which is a market derivative referred to in Article 2, Paragraph 21, Item 3 of the Act pertaining to securities trading) referred to in the following sub-items that a Trading Participant conducts with respect to purchases with conditions meaning they must be executed within the period during which stabilizing transactions (meaning stabilizing transactions prescribed in Article 20, Paragraph 1 of the Enforcement Order; the same shall apply hereinafter) may be conducted (meaning the stabilizing transaction period as prescribed in Article 22, Paragraph 2 to Paragraph 4 of the Enforcement Order; hereinafter referred to as the "stabilizing transaction period") with regard to a listed stock (in case of offering (limited to those made to at least 50 parties as counterparty thereto; the same shall apply in this item and hereinafter) or secondary distribution of subscription warrant securities representing subscription warrants wherein a stock will be issued or transferred at the market value or a certain value similar thereto (hereinafter referred to as "market value subscription warrant securities"), a listed stock or listed market value subscription warrant security, or in cases of offering or secondary distribution of corporate bonds wherein such subscription warrants are granted (hereinafter referred to as "market value corporate bonds with subscription warrants"), a listed stock or listed market value corporate bond with subscription warrant), listed preferred equity contribution security, or listed investment

security (in case of offering or secondary distribution of new investment unit subscription warrant securities representing new investment unit subscription warrants wherein an investment security will be issued or transferred at the market value or a certain value similar thereto (hereinafter referred to as "new market value investment unit subscription warrant securities"), a listed stock or new market value investment unit subscription warrant security) (hereinafter collectively referred to as "a listed stock, etc."), or a listed investment trust beneficiary certificate (meaning a beneficiary certificate of an investment trust; the same shall apply in this rule) issued by an issuer of securities (excluding subscription warrant securities or bonds other than market value subscription warrant securities and market value corporate bonds with subscription warrants, preferred equity investment securities (meaning preferred equity investment securities issued by a cooperative structured financial institution; the same shall apply hereinafter) other than those issued at the market value or a certain value similar thereto, and new investment unit subscription warrant securities other than new market value investment unit subscription warrant securities undergoing an offering or a secondary distribution (excluding offerings or secondary distributions pertaining to granting of rights deemed as stock options such as issuance of subscription warrants to officers or employees)

- a. An action of accepting entrustment (excluding acceptance of brokerage for clearing of securities, etc.) of purchases (in cases where securities eligible for stabilizing transactions are listed stocks, etc., limited to purchases of listed stocks, etc. and in cases where securities eligible for stabilizing transactions are listed investment trust beneficiary certificates, limited to purchases of such listed investment trust beneficiary certificates) from a party with the knowledge that said party is an issuer of securities eligible for stabilizing transactions
- b. An action of accepting entrustment of purchases (excluding acceptance of brokerage for clearing of securities, etc. and acceptance of stabilizing transactions (excluding stabilizing transactions under a discretionary investment contract, in cases other than the case prescribed in d.)) from a party with the knowledge that said party is an entity that may entrust stabilizing transactions (meaning persons enumerated in each item of Article 20, Paragraph 3 of the Enforcement Order, but excluding the entity prescribed in c. below and Trading Participants)
- c. An action of accepting entrustment of purchases from a party (limited to purchases for said party's own account) with the knowledge that said party is a foreign corporation which conducts business similar to financial instruments business in a

foreign country and which has concluded a principal underwriting contract with the issuer of securities eligible for stabilizing transactions (limited to securities pertaining to an offering or secondary distribution conducted in regions outside Japan; the same shall apply in Sub-item d. below) (excluding acceptance of entrustment of stabilizing transactions (excluding stabilizing transactions under a discretionary investment contract in cases other than the cases prescribed in Sub-item d) and acceptance of entrustment of purchases provided for in the regulations of a financial instruments exchange in Japan as the purchases which would be necessary for facilitating smooth distribution of securities or the purchases which are regarded to be not based on investment decisions on individual issues as prescribed in Article 117, Paragraph 1, Item 22, Sub-items (a) and (e) of the Cabinet Office Order on Financial Instruments Business (Cabinet Office Order No.52 of 2007) (hereinafter referred to as "the Cabinet Office Order"))

- d. An action of, in cases of receiving notice from an issuer of securities eligible for stabilizing transactions as a party referred to in Article 20, Paragraph 3, Item 5 of the Enforcement Order, purchasing for its own account (excluding stabilizing transactions and purchases provided for in the regulations of a financial instruments exchange in Japan as the purchases which would be necessary for facilitating smooth distribution of securities or the purchases which are regarded to not be based on investment decisions on individual issues as prescribed in Article 117, Paragraph 1, Item 22, Sub-items (a) and (e) of Cabinet Office Order), purchasing under a discretionary investment contract (excluding stabilizing transactions and purchases provided for in the regulations of a financial instruments exchange in Japan as the purchases which would be necessary for facilitating smooth distribution of securities or the purchases which are regarded to not be based on investment decisions on individual issues as prescribed in Article 117, Paragraph 1, Item 22, Sub-items (a) and (e) of Cabinet Office Order), and entrusting purchases (excluding entrustment of brokerage for clearing of securities, etc. (excluding entrustment of brokerage for clearing of securities, etc. pertaining to purchases for its own account (excluding stabilizing transactions) and purchases under a discretionary investment contract (excluding stabilizing transactions)))
- (2) Actions enumerated in the following sub-items conducted in a period from the time when the first stabilizing transaction is conducted to the last day of the stabilizing transaction period with the knowledge that a stabilizing transaction has been conducted for securities eligible for such stabilizing transactions, but without indicating to that effect (excluding

acceptance of entrustment of purchase transactions of securities that are carried out by exercising an option which is a market derivative referred to in Article 2, Paragraph 21, Item 3 of the Act pertaining to securities trading)

- a. Acceptance of entrustment for purchases of stocks, preferred equity investment securities, market value subscription warrant securities, investment securities, new market value investment unit subscription warrant securities, or market value corporate bonds with subscription warrants (in cases where the securities eligible for stabilizing transactions are investment trust beneficiary certificates, such investment trust beneficiary certificates) issued by an issuer of such securities, or sale of such securities (excluding (i) acceptance of entrustment of a purchase from a financial instruments business operator or an authorized firm for on-exchange transactions, (ii) a sale to a financial instruments business operator or an authorized firm for on-exchange transactions, and (iii) a sale based on brokerage for clearing of securities, etc.), or entrustment of brokerage for clearing of securities, etc. pertaining to said sale
- b. Acceptance of entrustment of (i) transactions in which a Trading Participant will become the party to acquire securities options allowing it to carry out purchases, or (ii) transactions in which a Trading Participant will become the party to grant securities options allowing their holder to carry out sales of said securities, which are market derivatives referred to in Article 2, Paragraph 21, Item 3 of the Act that pertain to trading of securities issued by the issuer of said securities.

(Notes)

1. The definitions of terms pertaining to securities trading shall be as prescribed in the Business Regulations of Tokyo Stock Exchange, Inc.
2. The definitions of terms pertaining to futures and options trading shall be as prescribed in the Business Regulations of Osaka Exchange, Inc.