

(Reference Translation)

**Summary of Comments Submitted in the Public Consultation Procedure
Regarding "Revisions to Trading Rules to Improve Market Functions"**

Tokyo Stock Exchange (hereinafter "TSE") released an outline in "Revisions to Trading Rules to Improve Market Functions" for public comment on January 28, 2019 and sought public comments until February 27, 2019. TSE received two comments on this matter, and the comments and responses have been summarized below.

No.	Summary of Comments	TSE Responses
1	<ul style="list-style-type: none">• Unlike before, in recent years, we see more instances of stocks not matching in the afternoon closing auction, in other words, closing at their last Zaraba prices (i.e, Zaraba close). We see such situations sometimes even in large stocks that experience significant events. As such, we agree with the intent of the measures to increase opportunities for executions at the afternoon closing auction, since they are expected to lead to fewer instances of Zaraba closes, which will benefit passive managers and other long-term investors.• While the proposed revision is a realistic way of reducing occurrences of Zaraba closes, it may also lead to greater price fluctuation near the afternoon closing auction. As such, along with this revision, we suggest that there should be discussion on methods to, for instance, restrict new orders or cancellation orders just before the afternoon closing auction or extend the trading hours for stocks that would close at their last Zaraba prices beyond 3 p.m. It would be desirable to introduce mechanisms to secure the reliable formation of closing prices, by means such as preventing a large influx of orders near the afternoon closing auction by restricting placement of limit-to-market orders and limit orders during a certain period before the afternoon closing auction or extending the trading hours for a certain period (a few minutes) beyond 3 p.m. for stocks that would close at their last Zaraba price.• As for the timing of the revision, to bring it in line with the launch of the upgraded arrowhead system means implementation is more than six months away. The situation with the high	<ul style="list-style-type: none">• The expansion of the executable price range for the closing auction in the afternoon session will be implemented with the improvement of the Sequential Trade Quote mechanism. The improved mechanism is expected to suppress price moves just before the afternoon closing auction to a certain extent.• This revision is focused mainly on increasing opportunities for executions at the afternoon closing auction. As such, it seeks to first modify the closing process based on the current mechanism. TSE will monitor the situation after the revision and continue receiving feedback from market participants as we consider further revisions as needed.• This revision requires modifications to trading systems, and TSE recognizes the need to prepare sufficiently, including conducting tests with trading participants. As such, to ensure stable market operations, we have targeted November to implement this revision. We appreciate the understanding and cooperation of our market users on this matter.

No.	Summary of Comments	TSE Responses
	<p>occurrence of Zaraba closes should be addressed urgently, so the revision should be brought forward as much as possible.</p>	
2	<ul style="list-style-type: none"> • Under the current trading rules, in cases such as when there is a large influx of orders just before the afternoon closing auction, the closing price may form far from the last price or quote. If on-close and such other orders were to also be considered, it would be even more difficult to foresee the closing price based on the order book before the closing auction. • While the proposed revisions to expand the executable price range will increase opportunities for execution at the afternoon closing auction, it does not improve the transparency of the process for formation of closing prices. In addition, up until the afternoon closing auction, you have the Sequential Trade Quote and Special Quote mechanisms to suppress sharp price moves, but at the afternoon closing auction only, the executable price range will be doubled. The intent of this expansion of the executable price range does not seem to be coherent with that of the other existing mechanisms. • Market convenience improves if opportunities for execution are increased on top of ensuring the transparency of the process to determine prices. As such, we hope you will also consider closing mechanisms adopted at exchanges in other countries, for example, where the closing auction has a period to only accept orders and not match them while the projected matching price is continuously displayed, after which the exchange randomly determines the matching time for the closing price. 	

Comment No. 1 from Mitsubishi UFJ Trust and Banking Corporation and No. 2 from Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.