

Cabinet Office Ordinance on Financial Instruments Exchanges

(Cabinet Office Ordinance No. 54 of August 7, 2007)

Pursuant to the provisions of the Financial Instruments and Exchange Act (Act No. 25 of 1948) and the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965), and for the purpose of enforcement of that Act and Cabinet Order, the Cabinet Office Ordinance on Financial Instruments Exchanges is enacted as follows:

Chapter I General Provisions (Articles 1 to 3)

Chapter II Financial Instruments Exchanges

Section 1 General Provisions (Articles 4 to 10-2)

Section 2 Financial Instruments Incorporated Association (Articles 11 to 14)

Section 3 Entity Conversion (Articles 15 to 30)

Section 4 Self-Regulation Organizations (Articles 31 to 39)

Section 5 Stock Company-Operated Financial Instruments Exchanges
(Articles 40 to 56)

Section 6 Financial Instruments Exchange Holding Companies (Articles 57 to 61)

Section 7 Purchase and Sale, etc. of Securities on Financial Instruments
Exchange Markets (Articles 62 to 76)

Section 8 Dissolution, etc. of Financial Instruments Exchanges (Articles 77 and 78)

Section 9 Mergers

Subsection 1 General Rules (Articles 79 to 96)

Subsection 2 Accounting at the Time of a Merger

Division 1 General Rules (Articles 97 to 99)

Division 2 Accounting for an Absorption-Type Merger between a
Membership-Type Financial Instruments Exchange and Another
Membership-Type Financial Instruments Exchange (Articles 100 and 101)

Division 3 Accounting for an Absorption-Type Merger between a
Membership-Type Financial Instruments Exchange and a Stock
Company-Operated Financial Instruments Exchange (Article 102)

Division 4 Accounting for a Consolidation-Type Merger between a
Membership-Type Financial Instruments Exchange and Another
Membership-Type Financial Instruments Exchange (Articles 103 to 106)

Division 5 Accounting for a Consolidation-Type Merger between a
Membership-Type Financial Instruments Exchange and a Stock
Company-Operated Financial Instruments Exchange (Articles 107 to
109)

Section 10 Miscellaneous Provisions (Articles 110 to 113)

Chapter III Foreign Financial Instruments Exchanges (Articles 114 to 119)

Chapter IV Miscellaneous Provisions (Articles 120 and 121)

Supplementary Provisions

Chapter I General Provisions

(Definitions)

- Article 1 (1) As used in this Cabinet Office Ordinance, the terms "Securities", "Issuer", "Financial Instruments Business Operator", "Financial Instruments Incorporated Association", "Financial Instruments Exchange", "Financial Instruments Exchange Market", "Financial Instruments Exchange Holding Company", "Trading Participant", "Market Derivatives Transaction", "Foreign Market Derivatives Transaction", "Financial Indicator", "Foreign Financial Instruments Exchange", "Brokerage for Clearing of Securities, etc.", "Financial Instruments obligation Assumption Service", "Financial Instruments Clearing Organization" or "Securities Finance Company" respectively means Securities, Issuer, Financial Instruments Business Operator, Financial Instruments Incorporated Association, Financial Instruments Exchange, Financial Instruments Exchange Market, Financial Instruments Exchange Holding Company, Trading Participant, Market Derivatives Transaction, Foreign Market Derivatives Transactions, Financial Indicator, Foreign Financial Instruments Exchange, Brokerage for Clearing of Securities, etc., Financial Instruments obligation Assumption Service, Financial Instruments Clearing Organization or Securities Finance Company as defined in Article 2 of the Financial Instruments and Exchange Act (hereinafter referred to as the "Act").
- (2) As used in this Cabinet Office Ordinance, the meanings of the terms listed in each of the following items are as prescribed respectively in those items:
- (i) Option: Option as defined in Article 2, paragraph (1), item (xix) of the Act.
 - (ii) Foreign Financial Instruments Market: a Foreign Financial Instruments Market as defined in Article 2, paragraph (8), item (iii), sub-item (b) of the Act.
 - (iii) Registered Financial Institution: a Registered Financial Institution as defined in Article 2, paragraph (11) of the Act.
 - (iv) Agreed Figure: an Agreed Figure as defined in Article 2, paragraph (21), item (ii) of the Act.
 - (v) Actual Figure: an Actual Figure as defined in Article 2, paragraph (21),

- item (ii) of the Act.
- (vi) Officer: an Officer as defined in Article 21, paragraph (1), item (i) of the Act.
- (vii) Registered Financial Institutions Business: a Registered Financial Institutions Business as defined in Article 33-5, paragraph (1), item (iii) of the Act.
- (viii) Listed Share Certificates, etc.: the Listed Share Certificates, etc. as defined in Article 67-18, item (vii) of the Act.
- (ix) Member, etc.: a Member, etc. as defined in Article 81, paragraph (1), item (iii) of the Act.
- (x) Self-Regulation Related Services: Self-Regulation Related Services as defined in Article 84, paragraph (2) of the Act.
- (xi) Financial Instruments, etc.: Financial Instruments, etc. as defined in Article 84, paragraph (2), item (i) of the Act.
- (xii) Self-Regulation Organization: a Self-Regulation Organization as defined in Article 85, paragraph (1) of the Act.
- (xiii) Entrusted Self-Regulation Organization: an Entrusted Self-Regulation Organization as defined in Article 85-2, paragraph (1), item (ii) of the Act.
- (xiv) Entity Conversion: an Entity Conversion as defined in Article 101-2, paragraph (1) of the Act.
- (xv) Stock Company-Operated Financial Instruments Exchange after Entity Conversion: a Stock Company-Operated Financial Instruments Exchange after Entity Conversion as defined in Article 101-2, paragraph (3) of the Act.
- (xvi) Entrusting Financial Instruments Exchange: an Entrusting Financial Instruments Exchange as defined in Article 102-19, paragraph (1) of the Act.
- (xvii) Subject Voting Rights: Subject Voting Rights as defined in Article 103-2, paragraph (1) of the Act.
- (xviii) Specified Stock Company-Operated Financial Instruments Exchange: a Specified Stock Company-Operated Financial Instruments Exchange as defined in Article 105-4, paragraph (2) of the Act.
- (xix) Financial Instruments Exchange Surviving an Absorption-Type Merger: a Financial Instruments Exchange Surviving an Absorption-Type Merger as defined in Article 136, paragraph (2) of the Act.
- (xx) Financial Instruments Exchange Established by a Consolidation-Type Merger: a Financial Instruments Exchange Established by a Consolidation-Type Merger as defined in Article 136, paragraph (2) of the Act.
- (xxi) Financial Instruments Exchange Disappearing in a Consolidation-Type Merger: a Financial Instruments Exchange Disappearing in a Consolidation-Type Merger as defined in Article 136, paragraph (2) of the Act.
- (xxii) Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger: a Membership-Type Financial Instruments

- Exchange Disappearing in an Absorption-Type Merger as defined in Article 137, item (i) of the Act.
- (xxiii) Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger: a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger as defined in Article 137, item (i) of the Act.
- (xxiv) Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger: a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger as defined in Article 138, item (i) of the Act.
- (xxv) Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger: a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger as defined in Article 138, item (ii) of the Act.
- (xxvi) Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger: a Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger as defined in Article 139, item (i) of the Act.
- (xxvii) Stock Company-Operated Financial Instruments Exchange Incorporated in a Consolidation-Type Merger: a Stock Company-Operated Financial Instruments Exchange Incorporated in a Consolidation-Type Merger as defined in Article 139-2, paragraph (1), item (ii) of the Act.
- (xxviii) Financial Instruments Exchange Resulting from a Merger: a Financial Instruments Exchange Resulting from a Merger as defined in Article 140, paragraph (2) of the Act.
- (xxix) Participant of Foreign Financial Instruments Exchange: a Participant of Foreign Financial Instruments Exchange as defined in Article 155-2, paragraph (1), item (vi) of the Act.
- (xxx) Foreign Market Transactions: Foreign Market Transactions as defined in Article 155-2, paragraph (1), item (vi) of the Act.
- (3) As used in this Cabinet Office Ordinance, the meanings of the terms listed in each of the following items are as prescribed respectively in those items:
- (i) Broker: a Broker as defined in Article 119, paragraph (1), item (ii) of the Act (in the case of Brokerage for Clearing of Securities, etc., meaning a person who has accepted brokerage service for entrustment of brokerage for entrustment of Brokerage for Clearing of Securities, etc.).
- (ii) Entrusting Person: an Entrusting Person as defined in Article 119, paragraph (1), item (ii) of the Act (in the case of a Brokerage for Clearing of Securities, etc., meaning a person who has entrusted brokerage in the entrustment of Brokerage for Clearing of Securities, etc. and who is not a Broker);

- (iii) Applicant: an Applicant as defined in Article 119, paragraph (1), item (iv) of the Act (in the case of a Brokerage for Clearing of Securities, etc., meaning a person who has made an application for brokerage service for entrustment of brokerage for entrustment of Brokerage for Clearing of Securities, etc.).
- (iv) Clearing Entrustee: a person to whom a Member, etc. entrusts a Brokerage for Clearing of Securities, etc.;
- (v) Clearing Member, etc.: another Member, etc., when any Member, etc. entrusts depositing of clearing margins to such other Member, etc.
- (vi) Assets Subject to Succession through an Absorption-Type Merger: assets to be succeeded by a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger, through an Absorption-Type Merger as prescribed in Article 137 of the Act.
- (vii) Consideration for an Absorption-Type Merger: assets to be delivered by a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger to members of a Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger, in case of an Absorption-Type Merger as prescribed in Article 137 of the Act.
- (viii) Net Assets, etc.: the capital funds, basic reserve, basic accumulated funds and surplus or shortfall of a Membership-Type Financial Instruments Exchange.
- (ix) Control Acquisition: an action wherein a corporation acquires the control over another corporation (when said corporation and said other corporation are in a Common Control Relationship, excluding said other corporation; hereinafter the same applies in this item) or the business of said other corporation.
- (x) Common Control Relationship: when two or more persons (including persons without legal personality; hereinafter the same applies in this item) are controlled (excluding temporary control; hereinafter the same applies in this item) by the same person or one of two or more persons controls all other persons, the relationship pertaining to said two or more persons.
- (xi) Market Value of Consideration for an Absorption-Type Merger: the market value of Consideration for an Absorption-Type Merger, or any other value of a Consideration for an Absorption-Type Merger calculated in accordance with the appropriate methods.
- (xii) Assets Subject to Succession through a Consolidation-Type Merger: assets to be succeeded by a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger, through a Consolidation-Type Merger as prescribed in Article 138 of the Act.
- (xiii) Membership-Type Financial Instruments Exchanges Acquired through Consolidation-Type Merger: a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger that implements a

Control Acquisition through a Consolidation-Type Merger prescribed in Article 138 of the Act.

- (xiv) Consideration for a Consolidation-Type Merger: assets to be delivered by a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger to members of a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger, in the case of a Consolidation-Type Merger as prescribed in Article 138 of the Act.
- (xv) Market Value of Consideration for a Consolidation-Type Merger: the market value of Consideration for a Consolidation-Type Merger, or any other value of Consideration for a Consolidation-Type Merger calculated in accordance with the appropriate methods.
- (xvi) Membership-Type Financial Instruments Exchange Disappearing without Consideration Delivered: a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger when no Consideration for a Consolidation-Type Merger is to be delivered to any member thereof.
- (xvii) Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger Succeeding Equity: a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger, when all of the Consideration for a Consolidation-Type Merger to be delivered to a member thereof is constituted by equity in a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger, and if it has been determined that such Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger becomes a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger Succeeding Equity.
- (xviii) Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger Not Succeeding Equity: a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger, excluding a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger Succeeding Equity and also excluding a Membership-Type Financial Instruments Exchange Disappearing without Consideration Delivered.

(Attachment of Japanese Translation)

Article 2 When, due to special circumstances, any of the documents to be submitted to the Prime Minister, the Commissioner of the Financial Services Agency, a Director-General of a Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau (referred to as the "Prime Minister, etc." in the following Article) pursuant to the provisions of the Act (limited to Chapter V, Chapter V-2, or Article 188 of the Act (limited to the

matters pertaining to a Financial Instruments Exchange or a Member, etc. thereof, a Self-Regulation Organization, a Financial Instruments Exchange Holding Company, or a Foreign Financial Instruments Exchange or its Participant of Foreign Financial Instruments Exchange); the same applies in the following Article), Chapter V or Chapter V-2 of the Order for Enforcement of the Financial Instruments and Exchange Act (hereinafter referred to as the "Cabinet Order") or this Cabinet Office Ordinance cannot be prepared in Japanese, a Japanese translation thereof must be attached thereto; provided, however, that if the document to be submitted is articles of incorporation or minutes of a shareholders meeting or a meeting of the board of officers, etc. (meaning the board of officers, etc. set forth in Article 115, paragraph (2), item (i)) prepared in English, attaching a Japanese translation of the outline thereof is to be sufficient.

(Conversion of Foreign Currency)

Article 3 When, among the documents to be submitted to the Prime Minister, etc. under the provisions of the Act, Chapter V or Chapter V-2 of the Cabinet Order, or this Cabinet Office Ordinance, there is any document indicating an amount in a foreign currency, a supplementary note on the amount after conversion into Japanese currency and the criteria used for such conversion must be included therein.

Chapter II Financial Instruments Exchanges

Section 1 General Provisions

(Written Application for License)

Article 4 (1) A person who intends to obtain the license set forth in Article 80, paragraph (1) of the Act must submit the written application for license set forth in Article 81, paragraph (1) of the Act, attaching the documents set forth in paragraph (2) of that Article, to the Prime Minister via the Commissioner of the Financial Services Agency.

(2) The documents specified by Cabinet Office Ordinance, referred to in Article 81, paragraph (2) of the Act, are as follows:

- (i) a document describing the reasons for establishing the Financial Instruments Exchange Market;
- (ii) the certificate of registered matters;
- (iii) the minutes of the organizational meeting;
- (iv) the resumes of Officers (when any Officer is a corporation, a document describing the background of such Officer) and extracts of the certificates of residence of Officers (limited to extracts containing descriptions of their registered domiciles; and when any Officer is a corporation, the certificate of

- registered matters thereof), or documents in lieu thereof; and documents in which said Officers have pledged that they do not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-item (a) through (g) of the Act;
- (v) a document stating the locations of the head offices or any other principal business offices or principal offices of the Members, etc.;
 - (vi) a document stating the names, domiciles or residences, nationalities and occupations of major shareholders (when any major shareholder is a corporation or other type of organization, its trade name or name, the location of its head office or the principal office, and the contents of the business operated), as well as the number of voting rights held by such major shareholders (the above is limited to the cases where the person who intends to obtain the license is a stock company);
 - (vii) a document disclosing the recent status of the assets and the income and expenditure;
 - (viii) a document stating the status of having secured employees who have the knowledge and experience in the business of a Financial Instruments Exchange, and the status of such employees' assignments;
 - (ix) a document stating the organizational structure for handling processes of the Financial Instruments Exchange and the allocation of such processes;
 - (x) in the case of using an electronic data processing system for the purpose of the business relating to the establishment of a Financial Instruments Exchange Market, a document stating the basic information, location, capacity, and maintenance method of said electronic data processing system, as well as the method of handling cases where there occurs any malfunction of such electronic data processing system; and
 - (xi) other documents stating matters which may be helpful in an examination conducted pursuant to the provisions of Article 82, paragraph (1) of the Act.
- (3) When a stock company which is not a Financial instruments Exchange intends to submit a written application for license pursuant to the provisions of Article 81, paragraph (1) of the Act in order to establish a Financial Instruments Exchange Market by amending its former purpose, the documents specified by Cabinet Office Ordinance, referred to in Article 81, paragraph (2) of the Act, are as follows, in addition to the documents listed in the items of the preceding paragraph (excluding item (iii)):
- (i) the minutes of the shareholders meeting resolving for the establishment of the Financial Instruments Exchange Market by amending the former purpose (when, pursuant to the provisions of the Companies Act (Act No. 86 of 2005), a resolution is deemed to have been adopted at a shareholders meeting, the document evidencing the fact that such a case is applicable; the same applies hereinafter);

- (ii) the articles of incorporation before the amendment, and a document which discloses the nature of the transactions that are in effect as of the time of filing the application for such a license.
- (iii) the latest balance sheet (including the notes related thereto; the same applies hereinafter), the latest profit and loss statement (including the notes related thereto; the same applies hereinafter), and the latest statement of changes in shareholders' equity, etc. (including the notes related thereto; the same applies hereinafter).

(Electronic or Magnetic Records to Be Attached to Written Application for License, etc.)

Article 5 (1) The electronic or magnetic records specified by Cabinet Office Ordinance, referred to in Article 81, paragraph (3) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 85-2, paragraph (3), Article 102-15, paragraph (3) and Article 106-11, paragraph (3) of the Act), are a 90mm flexible magnetic disk cartridge in conformity with Japanese Industrial Standard (hereinafter referred to as the "JIS" in this Article) X6223 under the Industrial Standardization Act (Act No. 185 of 1949).

(2) Entry of information into the electronic or magnetic records set forth in the preceding paragraph must be completed in accordance with the following specifications:

- (i) with regard to the track format, the specification designated by JIS X6225; and
- (ii) with regard to the volume and file configuration, the specification designated by JIS X0605.

(3) With regard to the electronic or magnetic records set forth in paragraph (1), a document containing the following matters must be affixed to the label area specified by JIS X6223:

- (i) the name or trade name of the applicant; and
- (ii) the application filing date.

(Preliminary Examination for a License for Establishment of a Financial Instruments Exchange Market)

Article 5-2 A person who intends to obtain the license set forth in Article 80, paragraph (1) of the Act may seek a preliminary examination, by submitting the written application for license set forth in Article 81, paragraph (1) of the Act and documents equivalent to those set forth in paragraph (2) of that Article to the Prime Minister via the Commissioner of the Financial Services Agency.

(Business, etc. Excluded from Self-Regulation Related Services)

Article 6 (1) The business specified by Cabinet Office Ordinance, referred to in

Article 84, paragraph (2), item (i) of the Act, is the business relating to the listing and delisting of Financial Instruments, etc. for Specified Market Derivatives Transactions (meaning Market Derivatives Transactions wherein issues of the Financial Instruments, etc. for such transactions are specified in the operational rules and any other rules; the same applies in Article 35, paragraph (2), item (i) and Article 50, paragraph (2), item (i)).

- (2) If the Financial Instruments, etc. set forth in the preceding paragraph have been listed or delisted, a board member, a director, or an executive officer of the Entrusting Financial Instruments Exchange is to, without delay, report to the council of the Entrusted Self-Regulation Organization the fact that such Financial Instruments, etc. have been listed or delisted.
- (3) If the Financial Instruments, etc. set forth in paragraph (1) have been listed or delisted, a director (excluding a director who is a member of the self-regulation committee) or an executive officer (excluding an executive officer who executes the Self-Regulation Related Services) of the Specified Stock Company-Operated Financial Instruments Exchange is to, without delay, report to the self-regulation committee the fact that such Financial Instruments, etc. have been listed or delisted.

(Self-Regulation Related Services)

Article 7 The business specified by Cabinet Office Ordinance, referred to in Article 84, paragraph (2), item (iii) of the Act, is as follows:

- (i) an examination of the contents of purchase and sale of Securities or Market Derivatives Transactions which are conducted by the Members, etc. on a Financial Instruments Exchange Market (excluding an examination to be instantaneously carried out in regard to the status of these transactions, so as to facilitate purchase and sale of Securities or Market Derivatives Transactions on the Financial Instruments Exchange Market);
- (ii) an examination of qualification as a Member, etc.;
- (iii) business concerning disposition and any other measures to be imposed against the Members, etc.;
- (iv) business relating to the examination of disclosure or provision of information regarding the Issuer of the Securities to be listed, disclosure or provision which is to be conducted by such Issuer, and business relevant to the dispositions and any other measures to be imposed against the Issuer of the Securities to be listed;
- (v) the preparation, change, and repeal of the operational rules and any other rules (excluding criteria for listing or delisting of Financial Instruments, etc. and also excluding criteria for granting qualification as a Member, etc.), in regard to the business listed in Article 84, paragraph (2), items (i) and (ii) of the Act, and to the business set forth in each of the preceding items

(hereinafter referred to as "Specified Self-Regulation Related Services");
(vi) the preparation of an outline of proposals from the general meeting of members or the shareholders meeting on changing the articles of incorporation in regard to Specified Self-Regulation Related Services (excluding a change to the articles of incorporation in regard to the criteria for listing and delisting of Financial Instruments, etc. and to the criteria for granting qualification as a Member, etc.).

(Specified Services)

Article 7-2 The business specified by Cabinet Office Ordinance, referred to in Article 85, paragraph (4) of the Act, is the business relating to the following acts:

- (i) an investigation as to whether the Securities or the Issuer thereof conforms to the criteria or requirements for listing or delisting;
- (ii) an investigation as to whether the disclosure or provision of information regarding the Issuer of the Securities to be listed, disclosure or provision which is to be conducted by such Issuer, conform to the criteria for the examination set forth in item (iv) of the preceding Article; and
- (iii) an investigation as to the fulfillment of the criteria for implementing the measures to be imposed against the Issuer of the Securities to be listed as set forth in item (iv) of the preceding Article, and implementation of any measures necessary for achievement of the purpose of such measures.

(Measures to Be Implemented in Cases of Entrustment of Specified Services by a Financial Instruments Exchange)

Article 7-3 When a Financial Instruments Exchange entrusts the Specified Services (meaning the Specified Services set forth in that paragraph; hereinafter the same applies in this Article and Article 32-2) pursuant to the provisions of Article 85, paragraph (4) of the Act, it must implement the measures listed in following items:

- (i) measures for entrustment of the Specified Services to a person who is found to be able to carry out the Specified Services in an appropriate, fair, and efficient manner;
- (ii) measures for preventing a person entrusted with the Specified Services (hereinafter referred to as an "Entrusted Party" in this Article) from committing any act in relation to the Specified Services which would impair the protection of investors, hinder the fairness of transactions, or unreasonably prejudice the Issuer of the Securities pertaining to said Specified Services, in an attempt to gain any profit from any business other than the Specified Services;
- (iii) measures for preventing an Entrusted Party from utilizing any

- information obtained in the course of conducting said Specified Services for the purpose of any act which would impair the protection of investors, hinder the fairness of transactions, or unreasonably prejudice the Issuer of the Securities pertaining to said Specified Services;
- (iv) measures for assurance of an Entrusted Party's independence from the Issuer pertaining to said Specified Services;
 - (v) measures for ensuring necessary and appropriate supervision of an Entrusted Party, such as requesting a report from such party or conducting on-the-spot investigations on a regular or as-needed basis with regard to status of such party's performance of the Specified Services, or any other means, in order to verify whether the Entrusted Party is carrying out said Specified Services in an appropriate manner, or instructing such party to improve their status on as-needed basis.
 - (vi) when it is necessary, for the purpose of securing the sound and proper operation of the Self-Regulation Related Services of a Financial Instruments Exchange and the protection of investors, measures to change the terms and conditions for entrustment of said Specified Services, collect penalties, terminate the entrustment, or to implement any other necessary measures.

(Application for Authorization Pertaining to Entrustment of Self-Regulation Services)

Article 8 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 85-2, paragraph (1), item (iv) of the Act, are as follows:

- (i) the method of calculating the amount of expenses for the entrustment;
 - (ii) matters concerning the grounds for termination of the entrustment contract;
 - (iii) the method of allocation of Self-Regulation Services between the Entrusting Financial Instruments Exchange and the Entrusted Self-Regulation Organization and any other matters on relations between the Entrusting Financial Instruments Exchanges and the Entrusted Self-Regulation Organization; and
 - (iv) the reasons for entrusting the Self-Regulation Services.
- (2) The documents specified by Cabinet Office Ordinance, referred to in Article 85-2, paragraph (2) of the Act, are as follows:
- (i) a copy of the document relating to the authorization under Article 102-14 of the Act obtained by the Entrusted Self-Regulation Organization;
 - (ii) a document stating the organizational structure for handling of processes and the allocation of such processes of the Entrusting Financial Instruments Exchanges and the Entrusted Self-Regulation Organization pertaining to the Self-Regulation Services;
 - (iii) the business plan for the Self-Regulation Services; and

(iv) other documents stating matters which may be helpful in an examination conducted pursuant to the provisions of Article 85-3 of the Act.

(Preliminary Examination for Authorization Pertaining to Entrustment of Self-Regulation Related Services)

Article 9 A Financial Instruments Exchange which intends to obtain the authorization under Article 85, paragraph (1) of the Act may seek a preliminary examination by submitting to the Commissioner of the Financial Services Agency a written application for authorization as set forth in Article 85-2, paragraph (1) of the Act and documents equivalent to those set forth in paragraph (2) of that Article.

(Application for Authorization, etc. Pertaining to a Subsidiary Business of a Financial Instruments Exchange)

Article 9-2 (1) A Financial Instruments Exchange which intends to obtain the authorization under the proviso to Article 87-2, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written application for authorization stating the following matters:

- (i) the type of business to be authorized; and
- (ii) the scheduled date for commencing said business.

(2) The following documents must be attached to the written application for authorization set forth in the preceding paragraph:

- (i) a document stating the reasons for conducting said business;
- (ii) a document stating the contents and methods of said business;
- (iii) the internal rules on said business;
- (iv) a document stating the organizational structure in charge of said business and positions of personnel therefor;
- (v) a document stating the prospective income and expenditures of said business for three business years after said authorization is granted; and
- (vi) other documents stating matters which may be helpful.

(3) The transactions specified by Cabinet Office Ordinance, referred to in the proviso to Article 87-2, paragraph (1) of the Act, are transactions pertaining to subject-matter similar to carbon dioxide equivalent quotas (meaning the carbon dioxide equivalent quotas as set forth in that paragraph).

(Preliminary Examination for Authorization Pertaining to a Subsidiary Business of a Financial Instruments Exchange)

Article 9-3 A Financial Instruments Exchange which intends to obtain the authorization under the proviso to Article 87-2, paragraph (1) of the Act may seek a preliminary examination by submitting to the Commissioner of the Financial Services Agency a written application for authorization under

paragraph (1) of the preceding Article and documents equivalent to those set forth in the items of paragraph (2) of that Article.

(Application for Authorization Pertaining to the Subsidiary Company of a Financial Instruments Exchange)

Article 10 (1) A Financial Instruments Exchange which intends to obtain the authorization under the proviso to Article 87-3, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written application for authorization, with the following documents attached thereto:

- (i) a document stating the reasons for holding the company pertaining to said authorization to be said Financial Instruments Exchange's Subsidiary Company (meaning a Subsidiary Company as set forth in Article 87-3, paragraph (3) of the Act; the same applies hereinafter);
- (ii) the following documents relating to said Financial Instruments Exchange and the Subsidiary Company thereof:
 - (a) the latest balance sheet, profit and loss statement, and surplus statement or statement of changes in shareholders' equity, etc. in which the status of the business and assets of said Financial Instruments Exchange and its Subsidiary Company are set out in a consolidated manner, and any other document disclosing the recent status of their businesses, assets, and profit and loss.
 - (b) a document stating the prospective income and expenditures of said Financial Instruments Exchange and its Subsidiary Company (including a company which is to become a Subsidiary Company for which said authorization is sought) for three business years after said authorization is granted.
- (iii) the following documents relating to a company which is to become a Subsidiary Company for which said authorization is sought:
 - (a) a document stating the trade name and the location of the head office;
 - (b) a document stating the business contents;
 - (c) a document stating the names and titles of directors and company auditors (in case of a company with committees, directors, and executive officers; the same applies in Article 57, paragraph (2) and Article 61, paragraph (1), item (iii), sub-item (c));
 - (d) in the case of a company with accounting advisors, a document stating the names of the accounting advisors;
 - (e) the articles of incorporation;
 - (f) the certificate of registered matters; and
 - (g) the latest balance sheet, profit and loss statement, and statement of changes in shareholders' equity, etc., and any other document disclosing the recent status of the business, assets, and profit and loss: and

- (iv) other documents stating matters which may be helpful.
- (2) A Financial Instruments Exchange which intends to obtain the authorization under Article 87-3, paragraph (4) of the Act must submit to the Commissioner of the Financial Services Agency a written application for authorization stating the following matters:
 - (i) the reasons for establishing of the Self-Regulation Organization;
 - (ii) the following matters in relation to the Self-Regulation Organization to be established:
 - (a) the name thereof;
 - (b) the location of the office;
 - (c) the names of persons who are to assume positions as its Officers; and
 - (d) the trade names or names of the persons to become members, and the scheduled amount of contributions.
- (3) Resumes of the persons who are to assume the positions as Officers as set forth in sub-item (c), item (ii) of the preceding paragraph must be attached to the written application for authorization set forth in that paragraph.

(Preliminary Examination for Authorization Pertaining to a Subsidiary Company of a Financial Instruments Exchange)

Article 10-2 A Financial Instruments Exchange which intends to obtain the authorization under the proviso to Article 87-3, paragraph (1) of the Act may seek a preliminary examination by submitting to the Commissioner of the Financial Services Agency a written application for authorization as set forth in paragraph (1) of the preceding Article and the document equivalent to those set forth in the items of that paragraph.

Section 2 Financial Instruments Incorporated Association

(Matters Pertaining to the Articles of Incorporation Which Require Authorization)

Article 11 With regard to the matters listed in each of the items of Article 88-3, paragraph (2) of the Act, even in the case that the detailed regulations are to be prescribed by rules other than the articles of incorporation, changes to said rules must be authorized set forth in Article 149, paragraph (1) of the Act.

(Inventory of Assets)

Article 12 (1) An inventory of assets to be prepared pursuant to the provisions of Article 492, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 100-17, paragraph (1) of the Act is governed by the provisions of this Article.

(2) With regard to the assets to be recorded in the inventory of assets set forth in

the preceding paragraph, the disposal price thereof as of the day on which the Financial Instruments Incorporated Association has fallen under the cases listed in the items of Article 644 of the Companies Act (excluding item (iii)) as applied mutatis mutandis pursuant to Article 100-17, paragraph (1) of the Act must be included, except when it is difficult to include the disposal price. In this case, with regard to the accounting books of the Financial Instruments Incorporated Association in liquidation, the price recorded in the inventory of assets is deemed to be the acquisition value.

(3) The inventory of assets set forth in paragraph (1) must consist of the following sections, in which case, the sections listed items (i) and (ii) may be further divided into items that have been given appropriate titles indicating their contents:

- (i) assets;
- (ii) liabilities; and
- (iii) net worth.

(Balance Sheet at the Time of Commencement of Liquidation)

Article 13 (1) The balance sheet to be prepared pursuant to the provisions of Article 492, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 100-17, paragraph (1) of the Act is governed by the provisions of this Article.

(2) The balance sheet set forth in the preceding paragraph must be prepared based on the inventory of assets.

(3) The balance sheet set forth in paragraph (1) must consist of the following sections, in which case, the sections listed items (i) and (ii) may be further divided into items that have been given appropriate titles indicating their contents:

- (i) assets;
- (ii) liabilities; and
- (iii) net assets.

(4) When it is difficult to record the disposal price for any asset, an explanatory note on the policy of assets valuation pertaining to said asset must be stated in the balance sheet set forth paragraph (1).

(Statement of Accounts)

Article 14 (1) The statement of accounts to be prepared pursuant to the provisions of Article 507, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 100-17, paragraph (1) of the Act must include the following information, in which case the matters listed in items (i) and (ii) may be divided into appropriate sections:

- (i) the amount of income generated from the collection of claims, disposition of

- assets, or any other act;
 - (ii) the amount of expenses for payment of obligations, liquidation expenses, and expenses incurred in relation to payment and any other act;
 - (iii) the amount of residual assets (when any tax amount is payable, such tax amount, and the amount of assets after deduction of said tax amount); and
 - (iv) the amount distributed per member.
- (2) With regard to the matter listed in item (iv) of the preceding paragraph, the following matters must be stated:
- (i) the day when distribution of the residual assets was completed;
 - (ii) when all or a part of the residual assets are assets other than money, the type of said residual assets and the value thereof.

Section 3 (Entity Conversion)

(Matters Subject to Prior Disclosure by Membership-Type Financial Instruments Exchange Implementing an Entity Conversion)

Article 15 The matters specified by Cabinet Office Ordinance, referred to in Article 101-3, paragraph (1) of the Act, are as follows:

- (i) the details of the entity conversion plan;
- (ii) matters relating to the prospects for the performance of obligations by the Stock Company-Operated Financial Instruments Exchange after the Entity Conversion; and
- (iii) if, after the day when the documents or the electronic or magnetic records (meaning electronic or magnetic records set forth in Article 13, paragraph (5) of the Act; the same applies hereinafter, except in Article 26 and Article 96) set forth in Article 101-3, paragraph (1) of the Act have been placed at the principal office pursuant to the provisions of that paragraph, any change in the matters listed in the preceding two items has arisen, said matters after the change.

(Method to Indicate Information Recorded in an Electronic or Magnetic Record)

Article 16 The method specified by Cabinet Office Ordinance referred to in the following provisions is a method of presenting the information recorded in the electronic or magnetic records listed in the following provisions on paper or on a computer screen:

- (i) Article 101-3, paragraph (2), item (iii) of the Act;
- (ii) Article 101-5, paragraph (2), item (iii) of the Act;
- (iii) Article 102-31, paragraph (2), item (ii) of the Act;
- (iv) Article 105-16, paragraph (2), item (ii) of the Act;
- (v) Article 139-3, paragraph (2), item (iii) of the Act;
- (vi) Article 139-4, paragraph (9), item (iii) of the Act;

- (vii) Article 139-5, paragraph (2), item (iii) of the Act;
- (viii) Article 139-6, paragraph (5), item (iii) of the Act;
- (ix) Article 139-7, paragraph (2), item (iii) of the Act;
- (x) Article 139-13, paragraph (3), item (iii) of the Act;
- (xi) Article 139-14, paragraph (2), item (iii) of the Act; and
- (xii) Article 139-21, paragraph (3), item (iii) of the Act.

(Electronic or Magnetic Means for Provision of Information Recorded in Electronic or Magnetic Records)

Article 17 The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 101-3, paragraph (2), item (iv) of the Act, is the means listed in the following items and designated by a Membership-Type Financial Instruments Exchange implementing an Entity Conversion.

- (i) from among the means of using an Electronic Data Processing System, the method of transmitting information via a telecommunications line that links the computer used by the sender to the computer used by the receiver and recording it in a file stored on the computer used by the receiver; or
- (ii) the method of delivering a file which has been prepared using media which are capable of reliably recording certain information by magnetic disk or any other method similar thereto in which the information is recorded.

(Matters Subject to Ex-Post Facto Disclosure, etc. by Stock Company-Operated Financial Instruments Exchange after Entity Conversion)

Article 18 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 101-5, paragraph (1) of the Act, are as follows:

- (i) the day when the Entity Conversion became effective;
- (ii) the progress of the procedures under Article 101-4 of the Act conducted by the Membership-Type Financial Instruments Exchange implementing the Entity Conversion; and
- (iii) the date of the registration set forth in Article 101-20, paragraph (1) of the Act.

(2) Matters specified by Cabinet Office Ordinance, referred to in Article 101-5, paragraph (2), item (iv) of the Act, are the methods listed in each of the items of the preceding Article and designated by the Stock Company-Operated Financial Instruments Exchange after Entity Conversion.

(Market Price for Processing of Fractions of Less Than One Share)

Article 19 The method specified by Cabinet Office Ordinance, referred to in Article 234, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 101-6, paragraph (2) of the Act, are the method whereby the amount listed in each of the following items is treated as the price of

shares set forth in each item, in accordance with the categories of the respective cases set forth therein:

- (i) when said shares are sold through a market transaction: the sale price of said transaction;
- (ii) in cases other than the case set forth the preceding item: the higher of the following prices:
 - (a) the closing price of said shares on the market in which said shares are traded, as of the day when said shares were sold, pursuant to the provisions of Article 234, paragraph (2) of the Companies Act as applied mutatis mutandis by replacing certain terms pursuant to Article 101-6, paragraph (2) of the Act (hereinafter referred to as the "Day of Sale" in this item) (if no purchase and sale transaction has been conducted on the Day of Sale, or if the Day of Sale falls in a non-business day of said market, the contract price of the purchase and sale transaction effected for the first time after said day); or
 - (b) when, as of the Day of Sale, said shares are the subject of a Tender Offer, etc. (meaning a Tender Offer as set forth in Article 27-2, paragraph (6) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 27-22-2, paragraph (2) of the Act) or a system equivalent thereto established under foreign laws and regulations; the same applies in (b) of this item and Article 28, item (ii)), the price of said shares provided for in the contract pertaining to said Tender Offer, etc. as of said Day of Sale.

(Consideration of Accounting Practices)

Article 20 For the purpose of interpretation of terms set forth in the following Article and Article 22 and application of the provisions thereunder, business accounting standards that are generally accepted as fair and appropriate and any other corporate accounting practices must be considered.

(Amount to Be Recorded in Stated Capital of Stock Company-Operated Financial Instruments Exchange after Entity Conversion)

Article 21 The amount to be recorded in the stated capital of a Stock Company-Operated Financial Instruments Exchange after Entity Conversion, which is specified by Cabinet Office Ordinance referred to in Article 101-7 of the Act, is the amount of the capital funds of a Membership-Type Financial Instruments Exchange immediately before Entity Conversion.

(Necessary Matters Concerning Accounting in Relation to Entity Conversion)

Article 22 (1) The necessary matters concerning accounting in relation to an Entity Conversion specified by Cabinet Office Ordinance, referred to in Article 101-8 of the Act, are governed by the provisions of this Article.

- (2) When a Membership-Type Financial Instruments Exchange intends to implement an Entity Conversion, the book value of assets and liabilities thereof may not be altered for the reasons of such Entity Conversion.
- (3) When a Membership-Type Financial Instruments Exchange intends to implement an Entity Conversion, each of the amounts listed in each of the following items in regard to a Stock Company-Operated Financial Instruments Exchange after Entity Conversion is the amount specified by the respective item:
 - (i) the amount of capital reserve: zero;
 - (ii) the amount of any other capital surplus: the amount obtained by subtracting the amount listed in sub-item (b) below from the amount listed in sub-item (a) below:
 - (a) the amount of basic reserve of the Membership-Type Financial Instruments Exchange immediately before the Entity Conversion.
 - (b) of the amount of money to be delivered to the members of the Membership-Type Financial Instruments Exchange implementing the Entity Conversion, the amount which the Membership-Type Financial Instruments Exchange implementing the Entity Conversion has determined to reduce from the amount of other capital surplus.
 - (iii) the amount of retained earnings reserve: zero;
 - (iv) the amount of other retained earnings: the amount obtained by subtracting the amount listed in sub-item (b) below from the amount listed in sub-item (a) below:
 - (a) the amount of surplus or shortfall of the Membership-Type Financial Instruments Exchange immediately before the Entity Conversion.
 - (b) of the amount of money to be delivered to the members of Membership-Type Financial Instruments Exchange implementing the Entity Conversion, the amount which the Membership-Type Financial Instruments Exchange implementing the Entity Conversion has determined to reduce from the amount of other retained earnings.

(Matters Requiring Notices to Person Intending to Make Application for Subscription of Shares Issued upon Entity Conversion)

Article 23 The matters specified by Cabinet Office Ordinance, referred to in Article 101-10, paragraph (1), item (iv) of the Act, are as follows:

- (i) the total number of authorized shares of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion (when said Stock Company-Operated Financial Instruments Exchange after Entity Conversion is a company with class shares, including the total number of authorized shares in each class);
- (ii) if the Stock Company-Operated Financial Instruments Exchange after

Entity Conversion (excluding a company with class shares) has prescribed the matters set forth in each of the items of Article 107, paragraph (1) of the Companies Act as the features of the shares to be issued, the features of said shares;

- (iii) if the Stock Company-Operated Financial Instruments Exchange after Entity Conversion (limited to a company with class shares) has decided to issue shares with different features as to the matters set forth in each of the items of Article 108, paragraph (1) of the Companies Act, the features of the respective classes of shares (when, with regard to a certain class of shares, there is a provisions in the articles of incorporation as prescribed under the provisions of paragraph (3) of that Article, and if the Stock Company-Operated Financial Instruments Exchange after Entity Conversion, as provided for in such provisions of the articles of incorporation, has not prescribed the features of said class of shares, the outline of the features of said class of shares);
- (iv) when there are any provisions concerning a share unit in the articles of incorporation of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion, such share units (when said Stock Company-Operated Financial Instruments Exchange after Entity Conversion is a company with class shares, the share units of respective class of shares);
- (v) when the articles of incorporation of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion contains any of the provisions listed in the following sub-items, said provisions:
 - (a) the provisions of the articles of incorporation as set forth in Article 139, paragraph (1), Article 140, paragraph (5), or Article 145, item (i) or (ii) of the Companies Act;
 - (b) the provisions of the articles of incorporation as set forth in Article 164, paragraph (1) of the Companies Act;
 - (c) the provisions of the articles of incorporation as set forth in Article 167, paragraph (3) of the Companies Act;
 - (d) the provisions of the articles of incorporation as set forth in Article 168, paragraph (1) or Article 169, paragraph (2) of the Companies Act;
 - (e) the provisions of the articles of incorporation as set forth in Article 174 of the Companies Act;
 - (f) the provisions of the articles of incorporation as set forth in Article 347 of the Companies Act;
 - (g) the provisions of the articles of incorporation as set forth in Article 26, item (i) or (ii) of the Ordinance for Enforcement of the Companies Act (Ordinance of the Ministry of Justice No. 12 of 2006).
- (vi) when there are any provisions in the articles of incorporation of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion

to the effect that a shareholder registry administrator is appointed, the name and the address thereof, and the business office thereof.

- (vii) from among the matters provided for in the articles of incorporation of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion (excluding the matters listed in Article 101-10, paragraph (1), items (i) through (iii) of the Act and each of the preceding items), the matters on which a person who intends to make an application for the subscription for Shares Issued upon Entity Conversion (meaning the Shares Issued upon Entity Conversion set forth in Article 101-9, item (i) of the Act; the same applies in Article 30, paragraph (2), item (x)) to a Membership-Type Financial Instruments Exchange has required a notification.

(Types and Contents of Electronic or Magnetic Means)

Article 24 The types and contents of electronic or magnetic means to be indicated pursuant to the provisions of Article 19-2-5, paragraph (1) of the Cabinet Order (meaning the electronic or magnetic means set forth in that paragraph) are as follows:

- (i) from among the means listed in the following, the means to be used by the sender:
- (a) among the methods using an electronic data processing system, the following methods:
1. the method of transmitting information via a telecommunications line that links the computer used by the sender to the computer used by the receiver and recording it in a file stored on the computer used by the receiver; or
 2. the method of making the contents of information recorded into a file stored on a computer used by the sender available for inspection by the receiver of the information via a telecommunications line, and recording said information into a file stored on the computer used by said receiver of information.
- (b) the method of delivering a file which has been prepared using media which are capable of reliably recording certain information by magnetic disk or any other method similar thereto in which the information is recorded.
- (ii) the format for recording information into files.

(Electronic or Magnetic Means)

Article 25 (1) The method using an electronic data processing system or any other method using information and communications technology which is specified by Cabinet Office Ordinance, referred to in Article 19-2-5, paragraph (1) of the Cabinet Order, is as follows:

- (i) from among the methods using an electronic data processing system, the methods listed in the following sub-item (a) or (b):
 - (a) the method of transmitting information via a telecommunications line that links the computer used by the sender to the computer used by the receiver and recording it in a file stored on the computer used by the receiver;
 - (b) the method of making available the contents of information recorded in a file stored on the computer used by the sender for inspection by the receiver of the information via a telecommunications line, and recording said information in a file stored on the computer used by said receiver of information;
 - (ii) the method of delivering a file which has been prepared using media which are capable of reliably recording certain information by way of magnetic disk or any other method similar thereto in which the information is recorded.
- (2) The methods listed in each of the items of the preceding paragraph must be methods that enable the receiver to create a document by outputting the information that is recorded in the file.

(Electronic or Magnetic Records to Be Provided by Inspectors)

Article 26 The electronic or magnetic records specified by Cabinet Office Ordinance, referred to in Article 207, paragraph (4) of the Companies Act as applied mutatis mutandis pursuant to Article 101-16, paragraph (3) of the Act, are a magnetic disk prescribed in Article 36, paragraph (1) of the Ordinance for Commercial Registration (Ordinance of the Ministry of Justice No. 23 of 1964) (limited to electronic or magnetic records), and the electronic or magnetic records designated by the person who receives the electronic or magnetic records pursuant to the provisions of Article 207, paragraph (4) of the Companies Act.

(Information Recorded on Electronic or Magnetic Records to Be Provided by Inspectors)

Article 27 The methods specified by Cabinet Office Ordinance, referred to in Article 207, paragraph (6) of the Companies Act as applied mutatis mutandis pursuant to Article 101-16, paragraph (3) of the Act, are the electronic or magnetic means designated by a person who, pursuant to the provisions of that paragraph, receives the information recorded on the electronic or magnetic records as set forth in that paragraph.

(Securities with Market Price Exempted from the Requirement of Investigation by Inspector)

Article 28 The method specified by Cabinet Office Ordinance, referred to in

Article 207, paragraph (9), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 101-16, paragraph (3) of the Act, is the method whereby the higher of the following amounts is treated as the price of Securities prescribed in that item:

- (i) The closing price of the Securities at the market where said Securities are traded, as of the day when the value set forth in Article 101-9, item (iii) of the Act was determined (hereinafter referred to as a "Valuation Day" in this Article) (when no purchase and sale transaction is conducted on the Valuation Day, or when the Valuation Day falls on a non-business day of said market, the contract price of the purchase and sale transaction effected for the first time after said day); or
- (ii) when, as of the Valuation Day, said Securities are the subject of a Tender Offer, etc., the price of said Securities provided for in the contract pertaining to said Tender Offer as of said Valuation Day.

(Board Member to Be Held Liable in Case of a Shortfall in the Value of Assets Contributed)

Article 29 A person specified by Cabinet Office Ordinance, referred to in Article 213, paragraph (1), item (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 101-16, paragraph (3) of the Act, is as follows:

- (i) A board member who submitted a proposal regarding valuation of Property Contributed in Kind (meaning a Property Contributed in Kind as set forth in Article 101-13, paragraph (1) of the Act) to a general meeting of members; or
- (ii) A board member who gave consent to the decision to submit the proposal under the preceding item.

(Written Application for Authorization of Entity Conversion)

Article 30 (1) A person who intends to obtain the authorization under Article 101-17, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written application for authorization of entity conversion under paragraph (2) of that Article, attaching the documents set forth in paragraph (3) of that Article.

- (2) The documents specified by Cabinet Office Ordinance, referred to in Article 101-17, paragraph (3) of the Act, are as follows:
 - (i) a document stating the reasons for implementing the Entity Conversion;
 - (ii) a document stating the contents of the entity conversion plan;
 - (iii) the articles of incorporation, operational rules, and brokerage contract rules of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion;
 - (iv) the minutes of the general meeting of members in which the entity conversion plan was approved, or and any other document evidencing that

- necessary procedures have been taken;
- (v) a balance sheet and an income and expenditure statement prepared along with said balance sheet;
 - (vi) the resumes of Officers (when any Officer is a corporation, a document describing the background of such Officer) and extracts of the certificates of residence of Officers (limited to extracts containing descriptions of their registered domiciles; and when any Officer is a corporation, the certificate of registered matters thereof) of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion, or documents in lieu thereof; and documents in which said Officers have pledged that they do not fall under any of the categories of persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act, in Article 331, paragraph (1), item (iii) of the Companies Act, and in the items of Article 333, paragraph (3) of that Act;
 - (vii) a document stating the names, domiciles or residences, nationalities and occupations of major shareholders (when any major shareholder is a corporation or other type of organization, its trade name or name, the location of its head office or the principal office, and the contents of the business operated), as well as the number of voting rights held by such major shareholders;
 - (viii) a document evidencing the existing amount of net assets;
 - (ix) a document evidencing the acceptance of the position by the person to assume the position of Officer of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion;
 - (x) when the Shares Issued upon Entity Conversion are to be issued pursuant to the provisions of Article 101-9 of the Act, the following documents:
 - (a) a document evidencing the application for subscription for Shares Issued upon Entity Conversion;
 - (b) when the subject of contribution is money, a document evidencing that the payment under Article 101-13, paragraph (1) of the Act has been made;
 - (c) when the subject of contribution is any assets other than money, the following documents:
 1. if an inspector has been appointed, a document containing the investigation report by the inspector and the documents attached thereto;
 2. in the case referred to in Article 207, paragraph (9), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 101-16, paragraph (3) of the Act, a document evidencing the market price of Securities;
 3. in the case referred to in Article 207, paragraph (9), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 101-16,

- paragraph (3) of the Act, a document stating the verification under that item and the documents attached thereto;
4. in the case referred to in Article 207, paragraph (9), item (v) of the Companies Act as applied mutatis mutandis pursuant to Article 101-16, paragraph (3) of the Act, the accounting book containing a description of the monetary claims set forth in that item.
- (d) if a judicial decision has been rendered in regard to an inspector's report, a transcript of such judicial decision.
- (xi) a document evidencing that the public notice and notices under the provisions of Article 101-4, paragraph (2) of the Act have been given, and if any creditor has raised an objection, the fact that the payment has been made or reasonable security has been provided to said creditor or reasonable assets have been deposited in trust for the purpose of having said creditor receive the payment, or that said Entity Conversion is not likely to harm said creditor;
- (xii) a document stating the status of having secured employees who have knowledge and experience in the business of a Financial Instruments Exchange, and the status of such employees' assignments;
- (xiii) a document stating the organizational structure for handling processes of the Stock Company-Operated Financial Instruments Exchange after Entity Conversion, and the allocation of such processes;
- (xiv) a document stating matters which may be helpful in an examination conducted pursuant to the provisions of Article 101-18, paragraph (1) of the Act.

Section 4 Self-Regulation Organizations

(Documents to Be Attached to the Written Application for Authorization)

Article 31 (1) The documents specified by Cabinet Office Ordinance, referred to in Article 102-15, paragraph (2) of the Act, are as follows:

- (i) the certificate of registered matters;
- (ii) the minutes of the organizational meeting;
- (iii) the resumes and extracts of the certificates of residence (limited to extracts containing descriptions of the registered domiciles) of Officers, or documents in lieu thereof; and documents in which said Officers have pledged that they do not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act;
- (iv) a document stating the locations of the head offices or the principal offices of members;
- (v) the business plan;
- (vi) a document which discloses the recent status of the assets and the income

- and expenditures;
- (vii) a document stating the status of having secured employees who have knowledge and experience in Self-Regulation Related Services, and the status of such employees' assignments;
 - (viii) a document stating the organizational structure for handling processes of the Self-Regulation Organization and the allocation of such processes;
 - (ix) in the case of using an electronic data processing system for the purpose of the Self-Regulation Related Services, a document stating the basic information, location, capacity, and maintenance method of said electronic data processing system, as well as the method of handling of cases where there occurs any malfunction of such electronic data processing system; and
 - (x) other documents stating matters which may be helpful in an examination conducted pursuant to the provisions of Article 102-16, paragraph (1) of the Act.
- (2) If there has been any changes in the matters stated in the document listed in item (v), (vii), or (viii) of the preceding paragraph, a Self-Regulation Organization must, without delay, submit a written notification to that effect (when there is a change in any matter stated in the documents listed in item (v) or (viii) of that paragraph, including the reasons therefor) to the Commissioner of Financial Services Agency.

(Preliminary Examination for Authorization on Commencement of Self-Regulation Related Services)

Article 32 A Self-Regulation Organization which intends to obtain the authorization under Article 102-14 of the Act may seek a preliminary examination by submitting to the Commissioner of the Financial Services Agency a written application for authorization as set forth in Article 102-15, paragraph (1) of the Act and the document equivalent to those set forth in paragraph (2) of that Article.

(Measures to Be Implemented in the Case of Re-Entrustment of Specified Services by a Self-Regulation Organization)

Article 32-2 The provisions of Article 7-3 apply mutatis mutandis to the cases where a Self-Regulation Organization re-entrusts the Specified Services pursuant to the proviso to Article 102-19, paragraph (1) of the Act.

(Minutes of Council Meetings)

Article 33 (1) Preparation of the minutes of council meetings as set forth in Article 102-30, paragraph (3) of the Act is governed by the provisions in this Article.

(2) The minutes of council meetings must be prepared in writing or by means of

electronic or magnetic record.

- (3) The minutes of council meetings must include the following substance:
- (i) the date, time, and location of convocation of the council (if a board member or an auditor who is not present at said location has participated in the council, the method of said participation is also included);
 - (ii) an outline of the proceedings of the council meeting, and the results thereof;
 - (iii) when any board member has any special interests in the matters that require a resolution of the council, said board member's name; and
 - (iv) if the council chairperson has been appointed, said chairperson's name;
 - (v) the name of the board member who performed the duties related to preparation of the minutes.

(Measures in Lieu of Signing or Affixing Names and Seals)

Article 34 The measures in lieu of signing or affixing of names and seals specified by Cabinet Office Ordinance, referred to in Article 102-30, paragraph (4) of the Act, are measures that are implemented in regard to information which can be recorded into the electronic or magnetic records, and satisfy all of the following requirements:

- (i) that the measures indicate that said information has been prepared by the person who has implemented said measures; and
- (ii) that the measures enable verification as to whether said information has been altered.

(Changes which Require Consent of Entrusted Self-Regulation Organization)

Article 35 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 102-32 of the Act, are as follows:

- (i) the criteria for listing and delisting of Financial Instruments, etc. (limited to a case where the business listed in Article 84, paragraph (2), item (i) of the Act have been entrusted in whole or in part to the Entrusted Self-Regulation Organization);
- (ii) the criteria for granting qualification as a Member, etc. (limited to a case where the business listed in Article 7, item (ii) have been entrusted in whole or in part to the Entrusted Self-Regulation Organization);
- (iii) the operational rules and any other rules (excluding the rules, preparation, change, or repeal which has been entrusted to the Entrusted Self-Regulation Organization pursuant to the provisions of Article 7, item (v), and also excluding the criteria set forth in each of the preceding items) related to the Specified Self-Regulation Related Services (limited to those entrusted to the Entrusted Self-Regulation Organization; the same applies in item (v) of the following paragraph).

- (2) When an Entrusting Financial Instruments Exchange falls under any of the categories listed the following items (excluding items (i) and (iii), if said Entrusting Financial Instruments Exchange has not entrusted the business specified in Article 84, paragraph (2), item (i) of the Act to the Entrusted Self-Regulation Organization), it is to obtain consent from the Entrusted Self-Regulation Organization:
- (i) when it intends to prepare, change, or repeal operational rules or other rules relating to listing and delisting of Financial Instruments, etc. for the Specified Market Derivatives Transactions;
 - (ii) when it intends to prepare operational rules or other rules relating to the criteria listed in item (i) or item (ii) of the preceding paragraph or the operational rules and any other rules specified in item (iii) of that paragraph;
 - (iii) when it intends to prepare the outline of a proposal for a general meeting of members or a shareholders meeting which pertains to a change to the articles of incorporation relevant to the criteria for listing and delisting of Financial Instruments, etc.;
 - (iv) when it intends to prepare the outline of a proposal for a general meeting of members or a shareholders meeting which pertains to a change to the articles of incorporation relevant to the criteria for granting qualification as a Member, etc. (limited to the case where the business listed in Article 7, item (ii) have been entrusted in whole or in part to an Entrusted Self-Regulation Organization);
 - (v) when it intends to prepare the outline of a proposal for a general meeting of members or a shareholders meeting which pertains a change to the articles of incorporation relevant to the Specified Self-Regulation Related Services (excluding the case where the preparation of the outline of said proposal has been entrusted to the Entrusted Self-Regulation Organization pursuant to the provisions of Article 7 (vi), and also excluding the cases listed in the preceding two items).

(Reporting of Business to the Council)

Article 36 The report to be made under Article 102-34, paragraph (1) of the Act must include the status of implementation of the measures to be taken by an Entrusting Financial Instruments Exchange based on the Self-Regulation Services provided by the Entrusted Self-Regulation Organization.

(Inventory of Assets)

Article 37 The provisions of Article 12 apply mutatis mutandis to the inventory of assets which is to be prepared pursuant to the provisions of Article 492, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 102-37, paragraph (1) of the Act. In this case, the term "Financial

Instruments Incorporated Association" in Article 12, paragraph (2) is deemed to be replaced with "Self-Regulation Organization."

(Balance Sheet at the Time of Commencement of Liquidation)

Article 38 The provisions of Article 13 apply mutatis mutandis to the balance sheet to be prepared pursuant to the provisions of Article 492, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 102-37, paragraph (1) of the Act.

(Statement of Accounts)

Article 39 The provisions of Article 14 apply mutatis mutandis to the statement of accounts to be prepared pursuant to the provisions of Article 507, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 102-37, paragraph (1) of the Act.

Section 5 Stock Company-Operated Financial Instruments Exchanges

(Matters Pertaining to the Articles of Incorporation Which Require Authorization)

Article 40 With regard to the matters listed in each of the items of Article 103 of the Act, even in the case that the detailed regulations are to be prescribed by rules other than the articles of incorporation, changes to said rules must be authorized under Article 149, paragraph (1) of the Act.

(Facts Estimated to Have a Material Influence on Decisions of Financial and Operational Policies)

Article 41 The facts specified by Cabinet Office Ordinance, referred to in Article 103-2, paragraph (1) of the Act, are as follows:

- (i) that any Officer or employee, or a person who formerly held such positions, who would have an influence on decisions on the financial policies and operational or business policies of the Stock Company-Operated Financial Instruments Exchange (hereinafter referred to as the "Company" in this Article and the following Article) has assumed the position of the Company's director, executive officer, or any other position equivalent thereto;
- (ii) that any important loan has been made to the Company;
- (iii) that any important technology has been provided to the Company;
- (iv) that there exists any important operational or business transactions with the Company; or
- (v) that there exists any other fact implying a material influence on decisions on the Company's financial policies and operational or business policies.

(Voting Rights Excluded from Voting Rights Acquired or Held, Considering Manner of Acquisition or Holding or Other Circumstances)

Article 42 The voting rights specified by Cabinet Office Ordinance, referred to in Article 103-2, paragraph (1) of the Act, are as follows:

- (i) the voting rights pertaining the shares in the Company which a person who operates a Trust Business (meaning a Trust Business as set forth in Article 2, paragraph (1) of the Trust Business Act (Act No. 154 of 2004)) has acquired or owns as trust property (excluding the voting rights which, pursuant to the provisions of Article 103-2, paragraph (5), item (i) of the Act, are regarded as the voting rights acquired or owned by a person who operates said Trust Business);
- (ii) the voting rights pertaining to the shares in the Company owned by a corporation, if a person having the authority of representation for such corporation or a manager having the authority of representation therefor has been granted the authority to exercise the voting rights or to give instructions as to the exercise thereof or the authority required for making an investment, based on such authority of representation or authority to act as an agent;
- (iii) the voting rights pertaining to the shares in the Company acquired or owned by a person entrusted with such shares in the Company acquired (excluding the voting rights which, pursuant to the provisions of Article 103-2, paragraph (5), item (i) of the Act, are regarded as the voting rights acquired or held by the entrusted person), if an Officer or employee of the Company has acquired the shares in the Company jointly with another Officer or employee of the Company (limited to acquisition which is conducted continuously according to a certain plan without depending on an individual investment decision and for which each Officer or employee contributes less than one million yen per occasion of acquisition) (in the case of acquisition of any share other than those acquired by the Company pursuant to the provisions of Article 156, paragraph (1) of the Companies Act (including the cases where it is applied by replacing certain terms pursuant to the provisions of Article 165, paragraph (3) of that Act), the above is limited to the case where such acquisition was conducted based on an entrustment to a Financial Instruments Business Operator);
- (iv) the voting rights pertaining to shares in the Company acquired or owned by an heir as the estate (limited to the shares acquired or owned prior to the day when the heir (excluding the case of a joint inheritance) makes an unqualified acceptance (including the cases where an unqualified acceptance is deemed to have been made) or a qualified acceptance, or the shares which the coheirs of such estate have not yet divided);
- (v) the voting rights pertaining to the shares in the Company which have been

acquired or owned by the Company for the purpose of cancellation of its own shares.

(Exclusion from Application of Limitations on Acquisition, etc.)

Article 43 The cases specified by Cabinet Office Ordinance, referred to in Article 103-2, paragraph (2), Article 106-3, paragraph (2), Article 106-10, paragraph (2), Article 106-14, paragraph (2) and Article 106-17, paragraph (2) of the Act are as follows:

- (i) the cases where there is no increase in the number of the Subject Voting Rights held;
- (ii) the cases where the Subject Voting Rights are acquired or held as a result of the exercise of a security interest or of receipt of substitute performance;
- (iii) the cases where a Financial Instruments Business Operator (limited to an operator engaged in Type I Financial Instruments Business as set forth in Article 28, paragraph (1) of the Act) acquires or holds the Subject Voting Rights as its business (excluding the cases of acquisition or holding through the acts specified in Article 2, paragraph (8), item (i) of the Act);
- (iv) the cases where a Securities Finance Company acquires or holds the Subject Voting Rights as its business as set forth in Article 156-24, paragraph (1) of the Act.

(Matters Pertaining to the Notification of Specified Holders)

Article 44 The matters specified by Cabinet Office Ordinance, referred to in Article 103-2, paragraph (3) of the Act, are as follows:

- (i) the day when the person has come to fall under the category of a Specified Holder (meaning a Specified Holder as set forth in Article 103-2, paragraph (3) of the Act; the same applies in the following item);
- (ii) the cause of said person having come to fall under the category of the Specified Holder; and
- (iii) the number of Subject Voting Rights held by such Specified Holder.

(Submission of Notification of Holding Subject Voting Rights)

Article 45 (1) A person who intends to submit a Notification of Holding Subject Voting Rights pursuant to the provisions of Article 103-3, paragraph (1) of the Act must submit such notification prepared using Appended Form No. 1 and a copy thereof, to the Director-General of the Local Finance Bureau having jurisdiction over the location of its head office or principal office (in the case of an individual, the domicile or residence) (when the location falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, to the Director-General thereof), in case of a Resident (meaning a Resident as set forth in the first sentence of Article 6, paragraph (1), item (v) of the Foreign

Exchange and Foreign Trade Act (Act No. 228 of 1949)), or, to the Director-General of the Kanto Local Financial Bureau, in the case of a Non-Resident (meaning a Non-Resident as set forth in Article 6, paragraph (1), item (vi) of the Foreign Exchange and Foreign Trade Act).

- (2) The Subject Voting Rights Holding Ratio, the purpose of holding, and other matters specified by Cabinet Office Ordinance, referred to in Article 103-3, paragraph (1) of the Act, are the matters prescribed in Appended Form No. 1.

(Matters to Be Made Available for Public Inspection)

Article 46 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 104 of the Act are the total number of issued shares in the Stock Company-Operated Financial Instruments Exchange and the number of voting rights of all shareholders thereof.

- (2) For the purpose of making information available for public inspection pursuant to the provisions of Article 104 of the Act, the total number of issued shares or the number of voting rights of all the shareholders may be in accordance with the numbers as of the last day of the previous month, when there occurs any change in the total number of issued shares or the number of the voting rights of all the shareholders on the grounds of a Conversion of Shares (meaning the case where said shares are acquired by the issuing company thereof and where another class of shares are delivered in exchange therefor) or of an exercise of share options.

- (3) For the purpose of making information available for public inspection pursuant to the provisions of Article 104 of the Act, when there occurs any change in the total number of issued shares in the Stock Company-Operated Financial Instruments Exchange, the total number of issued shares registered in the commercial registry may be treated as the total number of issued shares set forth in paragraph (1) until the completion of the registration to reflect such change.

- (4) A Stock Company-Operated Financial Instruments Exchange must keep a document stating the matters set forth in paragraph (1) at its head office and make it available for public inspection during its business hours.

(Application for Authorization of Reduction in the Amount of Stated Capital)

Article 47 (1) A Stock Company-Operated Financial Instruments Exchange which intends to obtain the authorization set forth in Article 105, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written application for authorization stating the following matters:

- (i) the amount of the stated capital before the reduction;
- (ii) the amount of the stated capital to be reduced;
- (iii) the details of reduction in the amount of stated capital;

- (iv) the date upon which the reduction in the amount of stated capital becomes effective.
- (2) The following documents must be attached to the written application for authorization set forth in the preceding paragraph:
 - (i) a document stating the reasons for the reduction in the amount of stated capital;
 - (ii) a document stating the method of reduction in the amount of stated capital;
 - (iii) the minutes of shareholders meetings or the meetings of the board of directors, or any other documents evidencing that necessary procedures have been followed;
 - (iv) the latest balance sheet;
 - (v) a document evidencing that the public notice or the notices under Article 449, paragraph (2) of the Companies Act (if, in addition to public notice in an official gazette, a public notice has been made in a daily newspaper that publishes matters on current affairs or in Electronic Public Notice (meaning an Electronic Public Notice under Article 2, item (xxxiv) of that Act; the same applies hereinafter) pursuant to the provisions of paragraph (3) of that Article, public notice by such method) have been given, and if any creditor has raised an objection, the fact that the payment has been made or reasonable security has been provided to said creditor or reasonable assets have been deposited in trust for the purpose of having said creditor receive the payment, or that said reduction in the amount of the stated capital is not likely to harm said creditor;
 - (vi) when the Stock Company-Operated Financial Instruments Exchange is a share certificate-issuing company, a document evidencing that the public notice has been given pursuant to the provisions of the main clause of Article 219, paragraph (1) of the Companies Act, or a document evidencing that none of the share certificates of the shares have been issued;
 - (vii) any other documents containing matters which may be helpful.

(Notification of Increase in the Amount of Stated Capital)

- Article 48 (1) A Stock Company-Operated Financial Instruments Exchange which intends to file a notification pursuant to the provisions of Article 105, paragraph (2) of the Act must submit to the Commissioner of the Financial Services Agency a written notification stating the following matters:
- (i) the amount of stated capital before the increase;
 - (ii) the amount of stated capital to be increased; and
 - (iii) the details of the increase in the amount of stated capital; and
 - (iv) the date upon which the increase in the amount of stated capital becomes effective.
- (2) The following documents must be attached to the written notification set forth

in the preceding paragraph:

- (i) a document stating the method of increasing the amount of stated capital;
- (ii) the minutes of board of directors meetings or any other document evidencing that the necessary procedures have been followed;
- (iii) an estimated balance sheet after the increase in the amount of stated capital.

(Handling in Emergency Situations)

Article 49 The Self-Regulation Related Services specified by Cabinet Office Ordinance, referred to in the paragraphs of Article 105-9 of the Act, are the business relating to delisting of Financial Instruments, etc.

(Changes, etc. Subject to Consent of the Self-Regulation Committee)

Article 50 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 105-11 of the Act, are as follows:

- (i) the criteria for listing and delisting of Financial Instruments, etc.;
- (ii) the criteria for granting qualification as a Member, etc.; and
- (iii) the operational rules and any other rules relating to the Specified Self-Regulation Related Services.

(2) A Specified Stock Company-Operated Financial Instruments Exchange is to, when it falls under any of the cases listed in the following items, obtain consent thereon from the self-regulation committee:

- (i) when it intends to prepare, change or repeal the operational rules or other rules relating to listing and delisting of Financial Instruments, etc. for Specified Market Derivatives Transactions;
- (ii) when it intends to prepare the operational rules and other rules relating to the criteria listed in item (i) or (ii) of the preceding paragraph or the Specified Self-Regulation Related Services;
- (iii) when it intends to prepare the outline of a proposal for the shareholders meeting which pertains to any change to the articles of incorporation in regard to the criteria listed in item (i) or item (ii) of the preceding paragraph or the Specified Self-Regulation Related Services.

(Minutes of Self-Regulation Committee Meetings)

Article 51 (1) A preparation of minutes of self-regulation committee meetings pursuant to the provisions of Article 105-15, paragraph (3) of the Act is governed by the provisions of this Article.

- (2) The minutes of the self-regulation committee meetings must be prepared in writing or by means of electronic or magnetic record.
- (3) The minutes of the self-regulation committee meetings must include the following substance:

- (i) the date, time, and location of convocation of the self-regulation committee (when a member of the self-regulation committee is not present at said location participated in the committee meeting, the method of such participation is also included);
- (ii) an outline of the proceedings of the self-regulation committee meeting, and the results thereof;
- (iii) if any self-regulation committee member has any special interests in the matters that require a resolution of the self-regulation committee, said member's name;
- (iv) if an executive officer, director, accounting advisor, or accounting auditor has attended the self-regulation committee meeting, the name of said officer, director, advisor, or auditor;
- (v) if a self-regulation committee chairperson has been appointed, said chairperson's name; and
- (vi) the name of the self-regulation committee member who performed the duties related to preparation of the minutes.

(Measures in Lieu of Signing or Affixing Names and Seals)

Article 52 The provisions of Article 34 apply *mutatis mutandis* to the measures in lieu of signing or affixing names and seals pursuant to the provisions of Article 105-15, paragraph (5) of the Act.

(Decisions for Execution of Duties of Self-Regulation Committees)

Article 53 The matters specified by Cabinet Office Ordinance, referred to in Article 106 of the Act, are as follows:

- (i) matters relating to directors and employees who are to assist in the duties of a self-regulation committee;
- (ii) matters relating to directors, executive officers and employees who execute the Self-Regulation Related Services;
- (iii) matters relating to the independence of directors and employees set forth in item (i) from the executive officers (limited to a case where said Specified Stock Company-Operated Financial Instruments Exchange is a company with committees);
- (iv) matters relating to the independence of the business relating to the execution of the Self-Regulation Related Services by directors, executive officers and employees set forth item (ii) from other business;
- (v) matters relating to the system under which the directors, executive officers and employees set forth in item (ii) report on matters concerning the execution of Self-Regulation Related Services to the self-regulation committee, and other matters relating to reports to the self-regulation committee;

- (vi) other systems to ensure that the matters concerning the Self-Regulation Related Services of the self-regulation committee are to be decided effectively; and
- (vii) matters relating to assurance of appropriate and efficient decision-making, in case of making a decision with regard to any matter relating to business other than Self-Regulation Related Services.

(Written Application for Authorization in Cases of Acquisition or Holding of Subject Voting Rights in a Stock Company-Operated Financial Instruments Exchange of Not Less Than the Holding Ratio Threshold)

Article 54 (1) A person who intends to obtain the authorization under Article 106-3, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written application for authorization stating the following matters:

- (i) the trade name, name, and the location of the head office or principal office (in case of a local government, its office); or the domicile or residence;
 - (ii) in the case of a corporation, the name of the representative thereof;
 - (iii) in the case of a local government, the name of the head thereof;
 - (iv) the number and holding ratio of Subject Voting Rights in the Stock Company-Operated Financial Instruments Exchange already held, and the number and holding ratio of the Subject Voting Rights in the Stock Company-Operated Financial Instruments Exchange which the authorization applicant intends to acquire or hold after obtaining authorization; and
 - (v) the reasons for acquisition or holding.
- (2) The following documents must be attached to the written application for authorization set forth in the preceding paragraph:
- (i) the documents prescribed in sub-items (a) through (c), in accordance with the respective categories set forth therein (when any part of said documents is not available for the reasons that the authorization applicant is a foreign corporation or any other reasons, a document equivalent to said document):
 - (a) when the authorization applicant is a corporation (excluding a local government; the same applies in sub-item (c)): the following documents pertaining to said corporation:
 1. the articles of incorporation;
 2. the certificate of registered matters;
 3. the resumes of the Officers (excluding accounting advisors; hereinafter the same applies in 3.) and extracts of the certificates of residence of the Officers (limited to extracts containing descriptions of their registered domiciles); and documents in which said Officers have pledged that they do not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g)

of the Act;

4. when the authorization applicant is a company with accounting advisors, resumes of the accounting advisors (when any accounting advisor is a corporation, a document describing the background of such accounting advisor) and extracts of the certificates of residence of accounting advisors (limited to extracts containing descriptions of their registered domiciles; and when any accounting advisor is a corporation, the certificate of registered matters thereof); and documents in which said accounting advisors have pledged that they do not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act;
5. a document stating the name, domicile or residence, nationality, and occupation of the person (when said person is a corporation or any other type of organization, its name, the location of the head office or the principal office, and the contents of the business operated) who hold voting rights exceeding five percent of the Voting Rights Held by All the Shareholders, etc. (meaning the Voting Rights Held by All the Shareholders, etc. as set forth in Article 29-4, paragraph (2) of the Act) and the number of voting rights held by such person;
6. when the application for authorization requires a resolution of a shareholders meeting or a board of directors meeting (including an organ equivalent thereto; the same applies hereinafter in 6.), the minutes of the shareholders meetings or the board of directors meetings, or any other document evidencing that necessary procedures have been followed;
7. a document stating the business contents;
8. the latest balance sheet, profit and loss statement and statement of changes in shareholders' equity, etc., and other document disclosing the recent status of the business, assets, and the income and expenditures of said corporation;
9. when the authorization applicant is an Establisher of a Foreign Financial Instruments Exchange Market (meaning an Establisher of a Foreign Financial Instruments Exchange Market as set forth in Article 60-2, paragraph (1), item (vi) of the Act; the same applies in 13.), a document evidencing that the same kind of license as the license under Article 80, paragraph (1) of the Act, or permission or other administrative disposition similar to such license has been granted in the state where its head office or principal office is located;
10. when the authorization applicant is a Holding Company of the Establisher of a Foreign Financial Instruments Exchange Market (meaning a Holding Company of the Establisher of a Foreign Financial

Instruments Exchange Market as set forth in Article 19-3-3, item (iii) of the Cabinet Order; hereinafter the same applies in 10. and 13.), a document evidencing that the authority which executes the laws and regulations of a foreign state equivalent the Act (including an order based on the Act) in the state where its head office or principal office is located has granted the same kind of authorization as that under Article 106-10, paragraph (1) of the Act or has granted permission or otherwise conducted any other act similar thereto, in regard to the fact that said person is a Holding Company of the Establisher of a Foreign Financial Instruments Exchange Market;

11. when the authorization applicant is an Establisher of a Foreign Commodity Market (meaning an Establisher of a Foreign Commodity Market prescribed in Article 19-3-3, item (iv) of the Cabinet Order; the same applies in 13.), a document evidencing that it has obtained the same kind of permission as the permission under Article 9 or Article 78 of the Commodity Futures Trading Act (Act No. 239 of 1950), or authorization or other administrative disposition similar thereto in the state where its head office or principal office is located;
12. when the authorization applicant is a Holding Company of the Establisher of a Foreign Commodity Market (meaning a Holding Company of the Establisher of a Foreign Commodity Market as set forth in Article 19-3-3, item (v) of the Cabinet Order; hereinafter the same applies in 12. and 13.), a document evidencing that the authority which executes the laws and regulations of a foreign state equivalent to the Commodity Futures Trading Act (including an order based on that Act) in the state where its head office or principal office is located has granted the same kind of authorization as the authorization under Article 96-25, paragraph (1) of that Act or has granted permission or otherwise conducted any other act similar thereto, in regard to the fact that said person is a Holding Company of the Establisher of a Foreign Commodity Market; and
13. when the authorization applicant is an Establisher of a Foreign Financial Instruments Exchange Market, a Holding Company of the Establisher of a Foreign Financial Instruments Exchange Market, an Establisher of a Foreign Commodity Market or a Holding Company of the Establisher of a Foreign Commodity Market, a document showing that the Stock Company-Operated Financial Instruments Exchange which intends to acquire or hold a number of Subject Voting Rights (meaning the Subject Voting Rights as set forth in Article 103-2, paragraph (1) of the Act) not less than the Holding Ratio Threshold (meaning the Holding Ratio Threshold set forth in that paragraph) of

- the voting rights of all shareholders is a Subsidiary Company of an Authorized Financial Instruments Firms Association, a Financial Instruments Exchange, a Financial Instruments Exchange Holding Company, a Financial Instruments Exchange Holding Company, a Commodity Exchange or a Commodity Exchange Holding Company;
- (b) when the authorization applicant is a local government: the latest balance sheet, or other documents disclosing the recent status of assets, and income and expenditures of said local government.
 - (c) when the authorization applicant is not a corporation or a local government: the documents listed in the following in relation to said person:
 1. a document stating the occupation of said person;
 2. an extract of the certificate of residence (limited to an extract containing a description of the registered domicile) or a document in lieu thereof; and
 3. a document in which said person has pledged that said person does not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act.
 - (ii) a document stating the system of the Stock Company-Operated Financial Instruments Exchange which pertains to holding of the Subject Voting Rights.
 - (iii) a document stating the relationship which the authorization applicant will have in terms of personnel affairs, funding, technology, transactions, etc. with said Stock Company-Operated Financial Instruments Exchange after the granting of authorization, and the policy concerning said relationship (including a system for assurance of sound and appropriate operation of the business of said Stock Company-Operated Financial Instruments Exchange);
 - (iv) other documents stating matters which may be helpful in an examination conducted pursuant to the provisions of Article 106-4, paragraph (1) of the Act.

(Preliminary Examination for Authorization for Acquisition or Holding of Subject Voting Rights in Stock Company-Operated Financial Instruments Exchange of Not Less Than Holding Ratio Threshold)

Article 55 A person who intends to obtain the authorization set forth in Article 106-3, paragraph (1) of the Act may seek a preliminary examination by submitting to the Commissioner of the Financial Services Agency a written application for authorization under paragraph (1) of the preceding Article and documents equivalent to those listed in each of the items of paragraph (2) of that Article.

(Mutatis Mutandis Application of Provisions Concerning Specified Holders)

Article 56 The provisions of Article 44 apply mutatis mutandis to the matters specified by Cabinet Office Ordinance, referred to in Article 106-3, paragraph (3) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 106-10, paragraph (4) and Article 106-17, paragraph (4) of the Act).

Section 6 Financial Instruments Exchange Holding Companies

(Application for Authorization Pertaining to Financial Instruments Exchange Holding Companies)

Article 57 (1) A person who intends to obtain the authorization set forth in Article 106-10, paragraph (1) of the Act must submit a written application for authorization set forth in Article 106-11, paragraph (1) of the Act, attaching the documents set forth in paragraph (2) of that Article, to the Prime Minister via the Commissioner of the Financial Services Agency.

(2) The documents specified by Cabinet Office Ordinance, referred to in Article 106-11, paragraph (2) of the Act, are the documents set forth in the following items, in accordance with the categories of the respective cases set forth therein:

- (i) when the authorization applicant intends to make a Stock Company-Operated Financial Instruments Exchange its Subsidiary Company: the following documents:
 - (a) a document stating the reasons for making the Stock Company-Operated Financial Instruments Exchange its Subsidiary Company;
 - (b) the following documents pertaining to the person who intends to make the Stock Company-Operated Financial Instruments Exchange its Subsidiary Company;
 - 1. certificate of registered matters;
 - 2. resumes and extracts of the certificates of residence (limited to extracts containing descriptions of the registered domiciles) of directors and company auditors or documents in lieu thereof; and documents in which said directors and auditors have pledged that they do not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act;
- 3. when the authorization applicant is a company with accounting advisors, the resumes of the accounting advisors (when any accounting advisor is a corporation, a document describing the background of such accounting advisor) and extracts of the certificates of residence of the accounting advisors (limited to the extracts containing descriptions of their registered domiciles; and when any accounting advisor is a

corporation, the certificate of registered matters thereof), or a document in lieu thereof; and documents in which said accounting advisors have pledged that they do not fall under any of the categories listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act;

4. the document stating the names, domiciles or residences, nationalities, and occupations of shareholders (when any shareholder is a corporation or any other type of organization, its trade name or name, the location of its head office or principal office, and the content of business operated) and the number of voting rights held by such shareholders;
 5. the minutes of the shareholders meeting or the board of directors meeting, or other documents evidencing that necessary procedures have been followed;
 6. a document stating the location of the head office;
 7. a document stating the business contents;
 8. the latest balance sheet, profit and loss statement and statement of changes in shareholders' equity, etc., or any other document disclosing the recent status of the business, assets, and income and expenditures of said person;
 9. a document stating the system pertaining to the business management of the Stock Company-Operated Financial Instruments Exchange to become a Subsidiary Company which is to be handled by said person;
 10. a document stating the status of having secured employees who have knowledge and experience in the business of a Stock Company-Operated Financial Instruments Exchange;
- (c) the following documents relating to the Stock Company-Operated Financial Instruments Exchange to become a Subsidiary Company:
1. a document stating the trade name and the location of the head office;
 2. a document stating the titles and the names of directors and company auditors;
 3. when the authorization applicant is a company with accounting advisors, a document stating the names of the accounting advisors; and
 4. the latest balance sheet, profit and loss statement and statement of changes in shareholders' equity, etc., or any other document disclosing the current status of the business, assets, and income and expenditures of said Stock Company-Operated Financial Instruments Exchange.
- (d) a document stating the prospective income and expenditures of said person, and of the Stock Company-Operated Financial Instruments Exchange which is said person's Subsidiary Company, for three business

years after authorization under Article 106-10, paragraph (1) of the Act is granted;

- (e) other documents stating matters which may be helpful in an examination conducted pursuant to the provisions of Article 106-12, paragraph (1) of the Act.
- (ii) when the authorization applicant intends to incorporate a company which makes a Stock Company-Operated Financial Instruments Exchange its Subsidiary Company: the documents listed in the following sub-items:
 - (a) a document stating the reasons for incorporating the company which makes a Stock Company-Operated Financial Instruments Exchange its Subsidiary Company;
 - (b) the following documents pertaining to the company to be incorporated with authorization under Article 106-10, paragraph (1) of Act (hereinafter referred to as the "Incorporated Company" in this item):
 1. the resumes and extracts of the certificates of residence (limited to extracts containing descriptions of the registered domiciles) of the directors and company auditors or documents in lieu thereof, and documents in which said directors and auditors have pledged that they do not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act;
 2. when the authorization applicant is a company with accounting advisors, the resumes of the accounting advisors (when any accounting advisor is a corporation, a document stating background of such accounting advisor) and extracts of the certificates of residence of the accounting advisors (limited to the extracts containing descriptions of their registered domiciles, and when any accounting advisor is a corporation, the certificates of registered matters thereof), or a document in lieu thereof; and documents in which said accounting advisors have pledged that they do not fall under any of the categories listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act;
 3. a document stating the names, domiciles or residences, nationalities, and occupations of the persons to become shareholders (when any person to become a shareholder is a corporation or any other type of organization, its trade name or name, the location of its head office or principal office, and the content of business operated) and the number of voting rights to be held by such persons;
 4. when the incorporation requires a resolution made at an organizational meeting, the minutes of the relevant organizational meeting (in case of incorporation through share transfer, merger, or company split, the minutes of the shareholders meeting pertaining thereto), or any other document evidencing that necessary procedures have been followed;

5. a document stating the location of the head office;
 6. a document stating the business contents;
 7. a document disclosing the amount of stated capital and other status of the assets after said incorporation;
 8. a document stating the system pertaining to the business management of the Stock Company-Operated Financial Instruments Exchange to become a Subsidiary Company which is to be handled by said Incorporated Company;
 9. a document stating the status of having secured employees who have knowledge and experience in the business of a Stock Company-Operated Financial Instruments Exchange.
- (c) the following documents relating to the Stock Company-Operated Financial Instruments Exchange which is to become a Subsidiary Company:
1. a document stating the trade name and the location of the head office thereof;
 2. a document stating the titles and the names of the directors and company auditors;
 3. when the authorization applicant is a company with accounting advisors, a document stating the names of the accounting advisors;
 4. the latest balance sheet, profit and loss statement and statement of changes in shareholders' equity, etc., or any other document disclosing the recent status of the business, assets, and income and expenditures of said Stock Company-Operated Financial Instruments Exchange.
- (d) a document stating the prospective income and expenditures of the Incorporated Company and the Stock Company-Operated Financial Instruments Exchange which is its Subsidiary Company for three business years after the incorporation thereof;
- (e) other documents stating matters which may be helpful in an examination conducted pursuant to the provisions of Article 106-12, paragraph (1) of the Act.

(Preliminary Examination for Authorization of Financial Instruments Exchange Holding Companies)

Article 58 A person who intends to obtain the authorization set forth in Article 106-10, paragraph (1) of the Act may seek a preliminary examination by submitting a written application for authorization under paragraph (1) of the preceding Article and documents equivalent to those listed in each of the items of paragraph (2) of that Article, in accordance with the categories of the cases listed in each of the items in paragraph (2) of the preceding Article, to the Prime Minister via the Commissioner of the Financial Services Agency.

(Application for Authorization Pertaining to Specified Holding Companies)

Article 59 A Specified Holding Company (meaning a Specified Holding Company as set forth in Article 106-10, paragraph (3) of the Act) which intends to obtain the authorization set forth in the proviso to that paragraph must submit a written application for authorization, attaching the documents listed in the following items, to the Prime Minister via the Commissioner of the Financial Services Agency:

- (i) a document stating the reasons for making the Stock Company-Operated Financial Instruments Exchange its Subsidiary Company;
- (ii) the documents listed in Article 57, paragraph (2), item (i), sub-items (b), (c) and (e);
- (iii) a document stating the prospective income and expenditures of said Specified Holding Company, and the Stock Company-Operated Financial Instruments Exchange which is its Subsidiary Company, for three business years after the authorization under the proviso to Article 106-10, paragraph (3) of the Act is granted.

(Matters Relating to Notification of Specified Holders of Financial Instruments Exchange Holding Companies)

Article 60 (1) The provisions of Article 44 apply mutatis mutandis to the matters specified by Cabinet Office Ordinance referred to in Article 106-14, paragraph (3) of the Act; the provisions of Article 45 apply mutatis mutandis to a person who submits the Notification of Holding Subject Voting Rights pursuant to the provisions of Article 106-15 of the Act and to the matters specified by Cabinet Office Ordinance referred to in that paragraph; and the provisions of Article 55 apply mutatis mutandis to a person who intends to obtain the authorization under Article 106-17, paragraph (1) of the Act.

- (2) The provisions of Article 54 (excluding sub-items (a) 10. and (a) 12. of item (i) of paragraph (2)) apply mutatis mutandis to a person who intends to obtain the authorization under Article 106-17, paragraph (1) of the Act. In this case, the terms "an Establisher of a Foreign Financial Instruments Exchange Market, a Holding Company of the Establisher of a Foreign Financial Instruments Exchange Market, an Establisher of a Foreign Commodity Market or a Holding Company of the Establisher of a Foreign Commodity Market" and "an Authorized Financial Instruments Firms Association, a Financial Instruments Exchange, a Financial Instruments Exchange Holding Company, a Commodity Exchange or a Commodity Exchange Holding Company" in sub-item (a) 13. of that item are deemed to be replaced with "an Establisher of a Foreign Financial Instruments Exchange Market or an Establisher of a Foreign Commodity Market" and "an Authorized Financial Instruments Firms

Association, a Financial Instruments Exchange or a Commodity Exchange", respectively.

(Application for Authorization, etc. Pertaining to a Subsidiary Company of a Financial Instruments Exchange Holding Company)

Article 61 (1) A Financial Instruments Exchange Holding Company which intends to obtain the authorization under the proviso to Article 106-24, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written application for authorization stating the following matters, with the following documents attached thereto:

- (i) a document stating the reasons for making the company pertaining to said authorization said Financial Instruments Exchange Holding Company's Subsidiary Company;
- (ii) the following documents relating to said Financial Instruments Exchange Holding Company and Subsidiary Companies thereof:
 - (a) the latest balance sheet, profit and loss statement, and surplus statement, or statement of changes in shareholders' equity, etc. in which the status of the business and assets of said Financial Instruments Exchange Holding Company and its Subsidiary Companies are set out in a consolidated manner, and any other document disclosing the recent status of their businesses, assets, and profit and loss;
 - (b) a document stating the prospective income and expenditures of said Financial Instruments Exchange Holding Company and its Subsidiary Companies (including the company which is to become a Subsidiary Company for which said authorization is sought) for three business years after said authorization is granted; and
 - (c) a document stating the system pertaining to the business management of Subsidiary Companies (including the company pertaining to said authorization which is to become a Subsidiary Company) which is handled by said Financial Instruments Exchange Holding Company;
- (iii) the following documents relating to the company which is to become a Subsidiary Company for which said authorization is sought:
 - (a) a document stating the trade name and the location of the head office;
 - (b) a document stating the business contents;
 - (c) a document stating the names and titles of directors and company auditors;
 - (d) in the case of a company with accounting advisors, a document stating the names of the accounting advisors;
 - (e) the articles of incorporation;
 - (f) the certificate of registered matters; and
 - (g) the latest balance sheet, profit and loss statement, and statement of

- changes in shareholders' equity, etc., and any other document disclosing the recent status of the business, assets, and profit and loss; and
- (iv) other documents stating matters which may be helpful.
- (2) The provisions of Article 10-2 apply mutatis mutandis to a Financial Instruments Exchange Holding Company which intends to obtain the authorization under the proviso to Article 106-24, paragraph (1) of the Act.

Section 7 Purchase and Sale, etc. of Securities on Financial Instruments Exchanges Markets

(Permitted Transactions for Clearing Participants)

Article 62 The transactions specified by Cabinet Office Ordinance, referred to in Article 111, paragraph (2) of the Act, are the purchase and sale of Securities or Market Derivatives Transactions on a Financial Instruments Exchange Market established by a Financial Instruments Exchange which are conducted based on an entrustment of Brokerage for Clearing of Securities, etc. from a Member, etc. of said Financial Instruments Exchange (when the transaction is conducted based on an entrustment from a Registered Financial Institution, limited to those pertaining to the Registered Financial Institution Business).

(Matters Pertaining to Operational Rules Which Require Authorization)

- Article 63 (1) With regard to the matters listed in each of the items of Article 117 of the Act, even in case that the detailed regulations are to be prescribed by rules other than the operational rules, changes to said rules must be authorized under Article 149, paragraph (1) of the Act.
- (2) The following matters must be prescribed in the operational rules or in the rules under which the detailed regulations are to be prescribed:
- (i) matters pertaining to Margin Transactions set forth in Article 156-24, paragraph (1) of the Act, and to transactions under that paragraph wherein a Member, etc. of the Financial Instruments Exchange, etc., for the purpose of settlement of purchase and sale of Securities on the Financial Instruments Exchange Market established by said Financial Instruments Exchange, borrows money or Securities from a Securities Finance Company by utilizing a clearing system of said Financial Instruments Exchange;
 - (ii) matters pertaining to listing and delisting of Financial Instruments, etc.;
 - (iii) matters pertaining to the disclosure of information concerning the Issuer of Securities to be listed, disclosure which is to be conducted by said Issuer; and
 - (iv) matters pertaining to the Clearing Funds (meaning the funds which Members, etc. deposit with the Financial Instruments Exchange in order to secure the performance of settlement of purchase and sale).

(Persons Excluded from the Prohibition on Purchasing for General Investors, etc.)

Article 63-2 (1) The persons specified by Cabinet Office Ordinance, referred to in Article 117-2, paragraph (1) of the Act, are as follows (with regard to the persons listed in item (i) through item (iii), limited to a person who entrusts purchase of said Securities to a Member, etc.):

(i) the Issuer of the Securities;

(ii) a person who is a Director, etc. of the Issuer of Securities (meaning a director, company auditor, executive officer, board member, auditor, or any other person holding a position equivalent thereto), and holds voting rights (including the voting rights pertaining to shares or equity which cannot be asserted against the Issuer pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1) of the Act on Transfer of Corporate Bonds, Shares, etc. (Act No. 75 of 2001) (including the cases where these provisions are applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276 (limited to the part pertaining to item (ii)) of that Act); hereinafter referred to as "Specified Voting Rights" in this Article) exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. (meaning the Voting Rights Held by All the Shareholders, etc. as set forth in Article 29-4, paragraph (2) of the Act; hereinafter the same applies in this Article) in said Issuer, under the person's name or under the name of any other person (hereinafter referred to as "Specified Officer" in this Article), or corporation, etc. under control of a Specified Officer (excluding the person listed in the preceding item);

(iii) a company which holds Specified Voting Rights exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. in said Issuer of the Securities, under the company's name or under the name of any other person (excluding a person listed in the preceding item);

(iv) Officers, etc. of the Issuer of the Securities (limited to the following Securities) (limited to a person who entrusts a Member, etc. to purchase said Securities issued by said Issuer (limited to a purchase of Securities made under a contract whereby the Officers, etc., jointly with other Officers, etc. of such Issuer, continuously conducts purchases according to a certain plan without depending on an individual investment decision, and whereby each Officer, etc. contributes less than one million yen per occasion of purchasing), and excluding the persons specified in item (ii)):

(a) the Securities specified in Article 2, paragraph (1), item (ix) of the Act;

(b) the Securities specified in Article 2, paragraph (1), item (xvii) of the Act which have the nature of the Securities specified in item (ix) of that

- paragraph;
- (c) the Beneficiary Certificates of a Securities Trust set forth in Article 2-3, item (iii) of the Cabinet Order, for which the Securities listed in preceding sub-item (a) or (b) are to be the Entrusted Securities set forth in Article 2-3, item (iii) of the Cabinet Order; and
 - (d) the Securities listed in Article 2, paragraph (1), item (xx) of the Act which indicate rights pertaining to the Securities listed in sub-item (a) or (b).
- (2) When the Specified Officers and the corporations, etc. under their control, under their respective names or under the names of any other persons, hold Specified Voting Rights exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. in any other corporation, etc. (meaning a corporation or other type of organization; hereinafter the same applies in this Article), said other corporation, etc. is deemed to be a corporation, etc. under control of said Specified Officer, and the provisions of item (ii) of the preceding paragraph and this paragraph apply.
- (3) The term "corporation, etc. under control" as used in item (ii) of paragraph (1) and the preceding paragraph means the other corporation, etc., when a Specified Officer, under the officer's own name or under the name of any other person, holds Specified Voting Rights exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. in said other corporation, etc.
- (4) The term "Officer, etc." as used in item (iv) of paragraph (1) means an Officer, etc. set forth in Article 1-3-3, item (v) of the Cabinet Order.

(Means to Deposit Clearing Margin)

Article 64 (1) A Financial Instruments Exchange which receives the deposit of any clearing margin from a Broker, Entrusting Person, or Applicant pursuant to the provisions of Article 119, paragraph (1) of the Act (when it is provided for in its articles of incorporation or operational rules that, with regard to Market Derivatives Transactions (meaning the Market Derivatives Transaction set forth in Article 119 of the Act; hereinafter the same applies in this Article and Article 68, paragraph (2)) in whole or in part on the Financial Instruments Exchange Market it has established, the Financial Instruments obligation Assumption Service is entrusted to another Financial Instruments Clearing Organization, it means such Financial Instruments Clearing Organization which conducts the Financial Instruments obligation Assumption Service pertaining to said Market Derivatives Transactions; hereinafter the same applies in this Article through Article 69) must receive the deposit of said clearing margin by appointing any of the persons listed in the following items as its agent, in accordance with the categories of the respective cases set forth therein:

- (i) in the cases referred to in Article 119, paragraph (1), item (ii) or (iii) of the

- Act (excluding the cases where the Member, etc. which has accepted an entrustment of a Market Derivatives Transaction has notified the Financial Instruments Exchange of a Clearing Entrustee as a person to accept entrustment of the Brokerage for Clearing of the Securities, etc. pertaining to said Market Derivatives Transaction): the Member, etc. which has accepted the entrustment of said Market Derivatives Transactions;
- (ii) in the cases referred to in Article 119, paragraph (1), item (ii) or (iii) of the Act (limited the cases where the Clearing Entrustee has been notified as a person to accept entrustment of the Brokerage for Clearing of Securities, etc. pertaining to said Market Derivatives Transaction): the Member, etc. which has accepted the brokerage service for entrustment of brokerage for clearing of said Market Derivatives Transactions, or the Clearing Entrustee notified by said Member, etc.;
- (iii) in the cases referred to in Article 119, paragraph (1), item (iv) of the Act (excluding the cases where the Member, etc. which has accepted an entrustment of a Market Derivatives Transaction has notified the Financial Instruments Exchange of a Clearing Entrustee as a person to accept entrustment of the Brokerage for Clearing of Securities, etc. pertaining to said Market Derivatives Transaction): the Broker pertaining to the Market Derivatives Transactions, or the Member, etc. which has been entrusted said Market Derivatives Transaction;
- (iv) in the cases referred to in Article 119, paragraph (1), item (iv) of the Act (limited the cases where the Clearing Entrustee has been notified as a person to accept entrustment of the Brokerage for Clearing of Securities, etc. pertaining to said Market Derivatives Transaction): the Broker pertaining to the Market Derivatives Transaction, the Member, etc. which has accepted brokerage for entrustment of brokerage for clearing of said Market Derivatives Transactions, or the Clearing Entrustee notified by said Member, etc.
- (2) A Financial Instruments Exchange which receives the deposit of any clearing margin pursuant to the provisions of Article 119, paragraph (1) of the Act may receive the deposit of said clearing margin from a Clearing Member, etc. notified by a Member, etc. conducting a Market Derivatives Transaction, instead of said Member, etc. or any other person set forth in the items of that paragraph.

(Means to Deposit Brokerage Margin)

Article 65 (1) A Broker which may have an Applicant deposit a brokerage margin pursuant to the provisions of Article 119, paragraph (2) of the Act must obtain from said Applicant a written consent for depositing the brokerage margin with said Broker.

- (2) A Broker may, in lieu of the Applicant's written consent under the preceding paragraph, obtain consent from said Applicant by electronic or magnetic means as provided for by paragraph (4), with the approval of the Applicant. In this case, said Broker is deemed to have obtained the written consent of said Applicant.
- (3) In the case of adopting a method using an electronic data processing system as the electronic or magnetic means set forth in the preceding paragraph, such method must be implemented by an electronic data processing system that links the computer used by said Broker to the computer used by the Applicant via a telecommunications line.
- (4) A Broker which intends to obtain consent from an Applicant pursuant to the provisions of paragraph (2) must, in advance, present to the Applicant with the types and contents of the following electronic or magnetic means which it intends to use, and obtain approval therefrom in writing or by electronic or magnetic means:
- (i) the electronic or magnetic means set forth in paragraph (2) used by the Broker; and
 - (ii) the format of recording information into the file.
- (5) If the Applicant has advised the Broker, in writing or by electronic or magnetic means, that said Applicant refuses to give consent by electronic or magnetic means, the Broker which has obtained the approval under the preceding paragraph may not obtain such consent from the Applicant by electronic or magnetic means; provided, however, that this does not apply to the cases where such Applicant gives the approval under that paragraph again.

(Means to Deposit Customer Margin)

- Article 66 (1) A Member, etc. which intends to have an Entrusting Person, a Broker, or an Applicant deposit customer margin pursuant to the provisions of Article 119, paragraph (3) of the Act must obtain from said Entrusting Person, Broker, or Applicant a written consent on depositing the customer margin with such Member, etc.
- (2) A Member, etc. which intends to have an Applicant deposit customer margin pursuant to the provisions of Article 119, paragraph (3) of the Act must receive the deposit of said customer margin by appointing the Broker of said Applicant as an agent.
- (3) The provisions of paragraphs (2) through (5) of the preceding Article apply *mutatis mutandis* to a written consent from an Entrusting Person, a Broker, or an Applicant under paragraph (1).

(Separate Management of Clearing Margin by Financial Instruments Exchanges)

Article 67 (1) A Financial Instruments Exchange managing clearing margins pursuant to the provisions of Article 119, paragraph (4) of the Act must manage them in accordance with the classifications listed in each of the following items and for each Member, etc. (if it has received a deposit of clearing margins through a Clearing Entrustee, for each Clearing Entrustee), separately from its own assets and any other asset other than clearing margins:

- (i) clearing margin deposited by a Member, etc. pursuant to the provisions of Article 119, paragraph (1) of the Act, in the case specified in item (i) of that paragraph where said Member, etc. conducts Market Derivatives Transactions on its own account;
 - (ii) clearing margin deposited by a Member, etc. pursuant to the provisions of Article 119, paragraph (1) of the Act, in the case specified in item (i) of that paragraph where the Member, etc. conducts Market Derivatives Transactions for which it has accepted entrustment by receiving a deposit of a customer margin pursuant to the provisions of paragraph (3) of that Article, and the clearing margin deposited by a Clearing Member, etc. pursuant to the provisions of Article 119, paragraph (1) of the Act and Article 64, paragraph (2) of this Ordinance, in the case listed in each of the items of Article 119, paragraph (1) of the Act;
 - (iii) clearing margin deposited by an Entrusting Person or an Applicant pursuant to the provisions of Article 119, paragraph (1) of the Act, in cases specified in item (ii) or (iv) of that paragraph;
 - (iv) clearing margin deposited by a Broker pursuant to the provisions of Article 119, paragraph (1) of the Act, in cases specified in item (iii) of that paragraph.
- (2) A Financial Instruments Exchange which manages clearing margins pursuant to the provisions of Article 119, paragraph (4) of the Act must, except for clearing margins managed pursuant to the provisions of the following paragraph, manage them by the means listed in the following items:
- (i) as a deposit or savings in a bank, a Cooperative Structured Financial Institution (meaning a Cooperative Structured Financial Institution as set forth in Article 2, paragraph (1) the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions (Act No. 44 of 1993)) or the Shoko Chukin Bank Limited (limited to the case where it is obvious from the holder's name that such a deposit or savings comprise said clearing margins);
or
 - (ii) as a monetary trust with a financial institution operating a Trust Business (meaning financial institution authorized under Article 1, paragraph (1) of the Act on Concurrent Operation of Trust Business by a Financial Institution (Act No. 43 of 1943)), with a contractual agreement on compensation of the principal (limited to the case where it is obvious from the right holder's name

that such monetary trust comprises said clearing margins).

(3) A Financial Instruments Exchange which manages Substitute Securities, etc. (meaning Securities to be substituted for a clearing margin pursuant to the provisions of Article 119, paragraph (5) of the Act (hereinafter referred to as "Substitute Securities" in this paragraph) and those set forth in paragraph (1) of the following Article; the same applies hereinafter in this paragraph) pursuant to the provisions of Article 119, paragraph (4) of the Act must manage them in accordance with the methods specified in each of the following items, in accordance with the respective categories of Substitute Securities, etc. set forth therein:

(i) Securities (excluding rights which are regarded as Securities pursuant to the provisions of Article 2, paragraph (2) of the Act): the methods listed in sub-items (a) through (d) in accordance with the respective categories of Securities set forth therein:

(a) Securities managed by the Financial Instruments Exchange by way of taking custody thereof by itself (excluding the Securities retained by way of commingled custody; the same applies in sub-item (b)): to manage the Substitute Securities by taking custody thereof under conditions wherein the place of custody thereof is clearly separated from that of its Own Securities, etc. (meaning Securities constituting its own assets, and any Securities other than Substitute Securities; the same applies in the following item and item (iii)) and wherein it can be identified immediately which Member, etc. has deposited said Substitute Securities, or through which Member, etc., Clearing Entrustee, or Clearing Member, etc. said Substitute Securities have been deposited;

(b) Securities managed by the Financial Instruments Exchange by way of having a third party take custody thereof: to manage the Substitute Securities by having a third party take custody thereof under conditions wherein the place of custody of the Substitute Securities is clearly separated from that for its Own Securities, etc., and where it can be identified immediately which Member, etc. has deposited said Substitute Securities, or through which Member, etc., Clearing Entrustee, or Clearing Member, etc. said Substitute Securities have been deposited;

(c) Securities managed by a Financial Instruments Exchange by way of taking custody thereof by itself (limited to the Securities held by way of commingled custody; the same applies in sub-item (d)): to manage the Substitute Securities by taking custody thereof under conditions wherein the place of custody of the Substitute Securities is clearly separated from that for its Own Securities, etc., and wherein the share pertaining to Substitute Securities deposited by each Member, etc. or through each Member, Clearing Entrustee, or Clearing Member, etc. can be identified

- immediately based on the books of the Financial Instruments Exchange;
- (d) Securities managed by a Financial Instruments Exchange by way of having a third party take custody thereof: to manage the Substitute Securities by having said third party take custody thereof under conditions wherein, by means of separating any account created by said third party for a person who deposits Substitute Securities from the Financial Instruments Exchange's own account or by any other means, the share pertaining to Substitute Securities can be identified immediately, and wherein the share of Substitute Securities deposited by each Member, etc. or through each Member, etc., Clearing Entrustee or Clearing Member, etc. can be identified immediately based on the books of the Financial Instruments and Exchange.
- (ii) rights which are regarded as Securities pursuant to the provisions of Article 2, paragraph (2) of the Act: the means prescribed in the sub-items (a) or (b) below, in accordance with the categories of the respective cases set forth therein:
- (a) when there are any documents evidencing the rights and other documents which are necessary for the exercise of the rights: to regard such documents as Securities, and manage them in accordance with the categories of the Securities in sub-items (a) through (d) of the preceding item;
- (b) in cases other than the case listed in sub-item (a): to have a third party precisely manage the rights by treating them as the Securities deposited by a Member, etc., or as the Securities deposited through a Member, etc., Clearing Entrustee or a Clearing Member, etc. and to manage them in conditions wherein the status of the management thereof can be identified immediately based on the books of the Financial Instruments Exchange.
- (iii) the properties set forth in paragraph (1) of the following Article: the means prescribed in either of the following sub-items (a) or (b), in accordance with the categories of the respective cases set forth therein:
- (a) when there are documents evidencing the claims and other documents which are necessary for the exercise of rights under the claims set forth in paragraph (1) of the following Article: to regard such documents as Securities and to manage them in accordance with the respective categories of Securities set forth in sub-items (a) through (d) of item (i); or
- (b) in cases other than the case listed in sub-item (a): to have a third party manage the claims as the substitute under Article 119, paragraph (5) of the Act by making a clear distinction from any other properties, and to manage them in conditions wherein the status of management thereof can be identified immediately based on the books of the Financial Instruments Exchange.

(Securities Substituted for Clearing Margin, etc.)

Article 68 (1) The substitutes specified by Cabinet Office Ordinance, referred to in Article 119, paragraph (5) of the Act, are claims based on a deposit contract.

(2) When the clearing margin under Article 119, paragraph (1) of the Act, the brokerage margin under paragraph (2) of that Article, or the customer margin under paragraph (3) of that Article is, in whole or in part, to be substituted by Securities, etc. (meaning the Securities and the claims prescribed in the preceding paragraph) pursuant to the provisions of paragraph (5) of that Article, the substituted price therefor is an amount obtained by multiplying the market value as of the Record Day determined by a Financial Instruments Exchange with the authorization set forth in Article 149, paragraph (1) of the Act (when its articles of incorporation or the operational rules provide that, with regard to Market Derivatives Transactions in whole or in part on the Financial Instruments Exchange Market it has established, it entrusts another Financial Instruments Clearing Organization to conduct the Financial Instruments obligation Assumption Service, such authorization means the authorization set forth in Article 156-12 of the Act; the same applies hereinafter in this paragraph), by 70 percent for share certificates, or by a rate determined by the Financial Instruments Exchange with the authorization under that paragraph for any other substitutes.

(3) A Broker, Member, etc., Clearing Entrustee or Clearing Member, etc. (hereinafter referred to as a "Broker, etc." in this paragraph) must, when the clearing margin under Article 119, paragraph (1) of the Act, the brokerage margin under paragraph (2) of that Article, or the customer margin under paragraph (3) of that Article is, in whole or in part, to be substituted by the Book-Entry Corporate Bonds, etc. (meaning Company Bonds, etc. defined in Article 2, paragraph (1) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc. (Act No. 75 of 2001), handled by Book-Entry Transfer Institution defined in paragraph (2) of the same Article; hereinafter referred to as "Book-Entry Transfer Company Bonds" in this paragraph) pursuant to the provisions of the paragraph (5) of that Article, and when any description or record pertaining to said Book-Entry Corporate Bonds, etc. is to be entered into a Column of Description of Securities Held (meaning the Column of Description of Securities Held set forth in that Act) within the account of said Broker, etc., segregate such Column of Description of Securities Held from the column for transactions of such Broker, etc.

(Scope of Priority of Other Members and Financial Instruments Exchanges in Regard to Clearing Margin)

Article 69 The clearing margin specified by Cabinet Office Ordinance, referred to

in Article 119, paragraph (6) of the Act, is a clearing margin as prescribed in Article 67, paragraph (1), item (i) of the Act.

(Notification of Listing of Financial Instruments, etc.)

Article 70 (1) A Financial Instruments Exchange which intends to make a notification of the listing of Financial Instruments, etc. pursuant to the provisions of Article 121 of the Act must submit a written notification of listing stating the following matters, to the Director-General of the Local Finance Bureau having a jurisdiction over the location of its principal office or head office (when said location falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, to the Director-General of the Fukuoka Local Finance Branch Bureau):

- (i) the types of said Financial Instruments, etc.;
- (ii) the issues of said Financial Instruments, etc.;
- (iii) the date of listing; and
- (iv) any other information which would serve as reference information.

(2) The documents listed in the following items must be attached to the written notification for listing set forth in the preceding paragraph:

- (i) a document evidencing that the listing of said Financial Instruments, etc. conforms to the criteria and methods, etc. specified by said Financial Instruments Exchange pursuant to the provisions of Article 117, item (iv), (v) or (ix) of the Act;
- (ii) any other document which would serve as reference information related to said Financial Instruments, etc.

(3) The notification under paragraph (1) must be filed no later than the day immediately preceding the day of listing said Financial Instruments, etc.

(Application for Approval of Listing of Securities, etc. Issued by a Financial Instruments Exchange, etc.)

Article 71 (1) A Financial Instruments Exchange which intends to obtain the approval for listing of Securities (limited to Securities to which any of Article 122, paragraph (1) or Article 124, paragraph (1) or (3) of the Act applies; hereinafter the same applies in this paragraph), Financial Indicators pertaining to Securities, or Options pertaining to Securities (referred to as "Securities, etc." in the following paragraph and Article 73) pursuant to the provisions of Article 122, paragraph (1) of the Act or Article 124, paragraph (1) or (3) of the Act must submit to the Commissioner of the Financial Services Agency the documents specified in each of the following items in accordance with the respective categories set forth therein:

- (i) in case of listing of Securities for purchase and sale: the documents listed in the following sub-items:

- (a) a written application for approval of listing stating the classes and issues of said Securities and other details of said Securities;
- (b) documents equivalent to those required to be submitted by an Issuer of any Securities upon listing thereof to the person who has established a Financial Instruments Exchange Market or a Foreign Financial Instruments Market prescribed in Article 19-3-4 of the Cabinet Order on which it intends to list said Securities pursuant to the provisions of the rules of said person for the examination of listing thereof (excluding the documents which the Commissioner of Financial Services Agency deems unnecessary);
- (c) other documents stating matters which may be helpful in granting approval of the listing pursuant to the provisions of Article 122, paragraph (1) or Article 124, paragraph (1) or (3) of the Act.
- (ii) in cases of listing of Securities for Market Derivatives Transactions: a written application for approval of listing stating the classes, issues and settlement methods of said Securities, and other details of said Securities;
- (iii) in cases of listing of Financial Indicators pertaining to Securities for the purpose of Market Derivatives Transactions: a written application for approval of listing stating the composition of the Financial Indicators, the calculation method of the Financial Indicators, and other details of said Financial Indicators;
- (iv) in cases of the listing of Options pertaining to Securities for the purpose of Market Derivatives Transactions: a written application for approval of the listing stating the transactions to be effected by the exercise said Options, the types and clearing methods of said Options, and any other details of said Options.
- (2) The provisions of the preceding paragraph apply mutatis mutandis to a Financial Instruments Exchange Holding Company which intends to obtain the approval for listing of Securities, etc. (limited to Securities to which the provisions of that paragraph are applicable) pursuant to the provisions of Article 122, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 123, paragraph (1) or (2) of the Act and to a Parent Commodity Exchange, etc. prescribed in Article 102-3, paragraph (1) of the Act.

(Notification of Delisting of Financial Instruments, etc.)

Article 72 (1) A Financial Instruments Exchange which intends to make a notification of delisting of Financial Instruments, etc. pursuant to the provisions of Article 126, paragraph (1) of the Act must submit a written notification for delisting stating the following matters to the Director-General of the Local Finance Bureau having jurisdiction over the location of its principal office or the head office (when said location falls within the

jurisdictional district of the Fukuoka Local Finance Branch Bureau, to the Director-General of the Fukuoka Local Finance Branch Bureau):

- (i) the types of said Financial Instruments, etc.;
 - (ii) the issues of said Financial Instruments, etc.;
 - (iii) the date of delisting;
 - (iv) the reasons for delisting; and
 - (v) any other matter which would serve as reference information.
- (2) The documents listed in the following items must be attached to the written notification of delisting set forth in the preceding paragraph:
- (i) a document evidencing that the delisting of said Financial Instruments, etc. conforms to the criteria and methods, etc. specified by said Financial Instruments Exchange pursuant to the provisions of Article 117, item (iv), (v) or (ix) of the Act; and
 - (ii) a document containing information as to whether the Issuer of said Financial Instruments, etc. (excluding Financial Indicators or Options) has consented to the delisting thereof.
- (3) The notification set forth in the paragraph (1) must be filed seven days prior to the date of the delisting of said Financial Instruments, etc.; provided, however, that if any of the events listed in each of the following items has taken place in regard to the Issuer of Securities to be delisted, the notification must be filed prior to the day immediately preceding the day of delisting said Securities:
- (i) dishonor of negotiable instruments or checks (limited to dishonor due to lack of funds for payment), or issuance of an order of suspension of transactions from a clearing house;
 - (ii) the suspension or discontinuance of business in its entirety;
 - (iii) the filing of a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;
 - (iv) beyond the events specified in the preceding three items, the events prescribed by said Financial Instruments Exchange in its operational rules as a case in which Financial Instruments, etc. are required to be promptly delisted.

(Application for Authorization of the Delisting of Securities Issued by a Financial Instruments Exchange, etc.)

Article 73 (1) A Financial Instruments Exchange which intends to obtain the approval for delisting of Securities, etc. set forth in Article 124, paragraph (1) of the Act pursuant to the provisions of Article 126, paragraph (2) of the Act must submit to the Commissioner of the Financial Services Agency a written application for approval of delisting stating the following matters:

- (i) the classes of said Securities, etc.;
 - (ii) the issues of said Securities, etc.;
 - (iii) the reasons for delisting; and
 - (iv) any other matter which would serve as reference information.
- (2) A document containing information as to whether the Issuer has consented to the delisting of said Securities, etc. to be delisted (excluding Financial Indicators or Options pertaining to Securities) must be attached to the written application for approval of delisting set forth in the preceding paragraph (limited to cases of delisting of Securities whose Issuer is any of the persons listed in Article 124, paragraph (1), items (ii) through (vi) of the Act).

(Notification to a Member, etc. and Publication)

Article 74 A Financial Instruments Exchange which intends to file a notification and to make a publication pursuant to the provisions of Article 130 of the Act must notify the Members, etc. and publicize the matters specified in Appended Table No. 1, in accordance with the methods prescribed in its operational rules.

(Report to the Commissioner of the Financial Services Agency)

Article 75 A Financial Instruments Exchange which intends to make a report pursuant to the provisions of Article 131 of the Act must report to the Commissioner of the Financial Services Agency the matters specified in Appended Tables Nos. 1 and 2, in accordance with the methods prescribed in its operational rules.

(Matters Pertaining to Brokerage Contract Rules Which Require Authorization)

- Article 76 (1) With regard to the matters listed in each of the items of Article 133, paragraph (2) of the Act, even in the case that the detailed regulations are to be prescribed by rules other than the brokerage contract rules, changes to such rules must be authorized under Article 149, paragraph (1) of the Act.
- (2) A Financial Instruments Exchange which sets a fixed standard in advance in regard to a contract for opening a margins transaction account and any other contract to be concluded between a Financial Instruments Business Operator and a customer must prescribe such a standard in its brokerage contract rules, or in the rules in which detailed regulations of such brokerage contract rules are to be prescribed.

Section 8 Dissolution, etc. of Financial Instruments Exchanges

(Application for Authorization Pertaining to Validity of License)

Article 77 (1) When a person who has obtained a license under Article 80,

paragraph (1) of the Act intends to obtain the approval set forth in Article 134, paragraph (1), item (v) of the Act, such person must submit to the Commissioner of the Financial Services Agency a written application for approval, attaching a document stating the reasons for being unable to establish a Financial Instruments Exchange Market.

(2) If the application for approval set forth in the preceding paragraph has been filed, the Commissioner of the Financial Services Agency is to examine whether the application conforms to the criteria listed in the following:

- (i) that there is any reason deemed as inevitable for not being able to establish the Financial Instruments Exchange Market within six months from the date when the license under Article 80, paragraph (1) of the Act having been granted;
- (ii) that the Financial Instruments Exchange Market is expected to be established within a reasonable period;
- (iii) that, until the time when the Financial Instruments Exchange Market is to be established, no material change in any of the matters which served as the basis for the judgment made in regard to the examination for the license under Article 80, paragraph (1) of the Act is expected to arise.

(Application for Authorization Pertaining to Dissolution, etc.)

Article 78 A Financial Instruments Exchange which, pursuant to the provisions of Article 135, paragraph (1) of the Act, intends to obtain the authorization on a resolution of its general meeting of members adopting dissolution thereof or authorization on a merger, must submit a written application for authorization to the Commissioner of the Financial Services Agency, attaching the documents listed in the following items:

- (i) a document stating the reasons for the dissolution or merger;
- (ii) the minutes of the general meeting of members or the shareholders meeting resolving for the dissolution or merger, or any other document evidencing that necessary procedures have been followed;
- (iii) the latest balance sheet, and the profit and loss statement or the income statement prepared along with said balance sheet.

Section 9 Mergers

Subsection 1 General Rules

(Matters to Be Prescribed in an Absorption-Type Merger Agreement Between a Membership-Type Financial Instruments Exchanges and Another Membership-Type Financial Instruments Exchange)

Article 79 The matters specified by Cabinet Office Ordinance, referred to in Article 137, item (ii) of the Act, are as follows:

- (i) when the members of a Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger become members of a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger, the trade names, names and addresses of said members, as well as the value of contributions made by said members;
- (ii) when a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger delivers to the members of a Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger any money in lieu of the equity of such members in an Absorption-Type Merger, the amount of said money and the method of calculation thereof;
- (iii) in the case referred to in the preceding item, matters pertaining to the allotment of money under that item to the members of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger; and
- (iv) matters pertaining to capital funds, basic reserve and basic accumulated funds, and surplus or shortfalls of the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger.

(Matters to Be Prescribed in a Consolidation-Type Merger Agreement between a Membership-Type Financial Instruments Exchange and Another Membership-Type Financial Instruments Exchange)

Article 80 The matters specified by Cabinet Office Ordinance, referred to in Article 138, item (iv) of the Act, are as follows:

- (i) the trade names, names and addresses of the members of the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger, as well as the value of contribution by said members;
- (ii) matters pertaining to capital funds, basic reserve and basic accumulated funds, and surplus or shortfalls of the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger.

(Matters Subject to Prior Disclosure by a Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger)

Article 81 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 139-3, paragraph (1) of the Act, are as follows:

- (i) matters relating to adequacy of consideration for a merger;
- (ii) matters which may be helpful regarding consideration for a merger;
- (iii) matters pertaining to financial statements, etc. (in the case of a Stock Company-Operated Financial Instruments Exchange, it means the financial statements and business reports set forth in Article 435, paragraph (2) of the Companies Act (when the provisions of Article 436, paragraph (1) or (2) of

- that Act is applicable, including the audit reports or the accounting audit reports); or, in the case of a Membership-Type Financial Instruments Exchange, it means a balance sheet, and an income and expenditure statement prepared along with said balance sheet; the same applies hereinafter);
- (iv) matters relating to the prospective performance by the Financial Instruments Exchange Surviving an Absorption-Type Merger of its obligations (limited to the obligations held to a creditor that may raise an objection as to the Absorption-Type Merger pursuant to the provisions of Article 101-4, paragraph (1) of the Act, as applied mutatis mutandis pursuant to Article 139-3, paragraph (5) of the Act) on or after the day when the Absorption-Type Merger becomes effective; and
 - (v) if, after the Start Date for Keeping an Absorption-Type Merger Agreement (meaning the day on which the document or electronic or magnetic record stating or recording the contents of the Absorption-Type Merger agreement is to be kept pursuant to the provisions of Article 139-3, paragraph (1) or Article 139-4, paragraph (1) of the Act, or the earliest of the days listed in each of the items of Article 139-7, paragraph (1) of the Act; the same applies hereinafter), any change has occurred to any of the matters listed in each of the preceding items, said matters after the change.
- (2) The term "Consideration for a Merger" as used in this Article means money, etc. which the Financial Instruments Exchange Surviving an Absorption-Type Merger delivers at the time of an Absorption-Type Merger to members of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger in lieu of the equity of such members.
- (3) The term "matters relating to adequacy of consideration for a merger" used in item (i) of paragraph (1) means the matters relating to adequacy of provisions concerning the following matters or any other matters listed in Article 139, item (ii) and (iii) of the Act or concerning the matters listed in Article 79, items (ii) and (iii) of this Ordinance (when there is no such provision, the adequacy as to the lack thereof):
- (i) matters pertaining to the adequacy of the total number or total amount of the Consideration for a Merger; and
 - (ii) the reasons for electing that kind of assets as the Consideration for a Merger.
- (4) The term "matters which may be helpful regarding consideration for a merger" as used in paragraph (1), item (ii) means, when the Shares, etc. in whole or in part (meaning Shares, etc. set forth in Article 139, item (ii) of the Act) to be delivered to members of a Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger comprise shares in the Stock Company-Operated Financial Instruments Exchange Surviving an

Absorption-Type Merger, the following matters and other matters equivalent thereto (if all members of a Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger have consented to the omission of a statement or record of such matters in whole or in part from a document or electronic or magnetic record set forth in Article 139-3, paragraph (1) of the Act, said matters so consented are excluded):

- (i) the provisions of the articles of incorporation of said Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger;
- (ii) the following matters, and any other matter pertaining to the method of realization of Consideration for a Merger:
 - (a) the market where the Consideration for a Merger is traded;
 - (b) the person who provides an intermediary, brokerage, or agency service for the transactions in the Consideration for a Merger; and
 - (c) when there is any restriction on transfer and otherwise disposing of the Consideration for a Merger, the contents of said restriction.
- (iii) when the Consideration for a Merger has a market price, the matters pertaining to said market price;
- (iv) the contents of the balance sheets pertaining to each business year of the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger, of which last day has arrived in the past five years (excluding the business years listed in the sub-items below):
 - (a) the most recent business year;
 - (b) the business year in which the public notice (including measures equivalent to those set forth in Article 440, paragraph (3) of the Companies Act) was made pursuant to the provisions of the laws and regulations with regard to the contents of the balance sheet; and
 - (c) the business year in which the Annual Securities Report with regard to the contents of the balance sheet has been submitted to the Prime Minister pursuant to the provisions of Article 24, paragraph (1) of the Act.
- (5) The term "matters pertaining to financial statements, etc." as used in item (iii) of paragraph (1) means the following matters:
 - (i) the following matters with regard to the Financial Instruments Exchange Surviving an Absorption-Type Merger:
 - (a) the contents of the financial statements, etc. for the most recent business year (if the Financial Instruments Exchange Surviving an Absorption-Type Merger has been formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, the balance sheet as of the day of formation of the Financial Instruments Exchange Surviving an Absorption-Type Merger);
 - (b) when there are temporary financial statements, etc. (meaning temporary

financial statements as set forth in Article 441, paragraph (1) of the Companies Act (when the provisions of paragraph (2) of that Article is applicable, including an audit report or an accounting audit report); the same applies in sub-item (b)) prepared as of a certain day after the last day of the most recent business year (if the Financial Instruments Exchange Surviving an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, as of the certain day after the day when the Financial Instruments Exchange Surviving an Absorption-Type Merger was formed; the same applies in sub-item (c)) as the Temporary Account Closing Day (meaning the Temporary Account Closing Day set forth in Article 441, paragraph (1) of the Companies Act; and when there are two or more Temporary Account Closing Days, the most recent day), the contents of said temporary financial statements, etc.; and

(c) if, after the last day of the most recent business year, disposition of any important asset, assumption of a material obligation or any other event which would have a material impact on assets status has taken place, the contents thereof (when the new most recent business year falls in the period between the Start Date for Keeping an Absorption-Type Merger Agreement and the day when the Absorption-Type Merger takes effect, the above is limited to the contents of the events which have taken place after the last day of said new most recent business year).

(ii) the following matters pertaining to the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger (excluding a Financial Instruments Incorporated Association to be liquidated; the same applies hereinafter in this term):

(a) if, in regard to the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger, a disposition of any important asset, assumption of a material obligation, or any other event which would have a material impact on assets status of the corporation has taken place after the last day of the most recent business year (if the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, after the day when the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger was formed), the contents thereof (when a new most recent business year falls in the period between the Start Date for Keeping an Absorption-Type Merger Agreement and the day when the Absorption-Type Merger takes effect, the above is limited to the contents of the event which have taken place after the last day of said new most recent business year); and

- (b) if the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, the balance sheet as of the day of formation of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger.
- (6) The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 139-3, paragraph (2), item (iv) of the Act, is a means designated by a Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger, among the methods set forth in each of the items of Article 17.

(Matters Subject to Prior Disclosure by a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger)

Article 82 The matters specified by Cabinet Office Ordinance, referred to in Article 139-4, paragraph (1) of the Act, are as follows:

- (i) matters pertaining to the adequacy of provisions concerning the matters listed in each of the items of Article 79 (when there is no such provision, the adequacy as to the lack thereof);
- (ii) the following matters pertaining to the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger (excluding a Financial Instruments Incorporated Association to be liquidated):
- (a) the contents of the financial statements, etc. for the most recent business year (if the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, the balance sheet as of the day of formation of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger);
- (b) if, after the last day of the most recent business year (if the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, after the day of formation of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger), the disposal of any important asset, assumption of a material obligation, or any other event which would have a material impact on assets status has taken place, the contents thereof (when the new most recent business year falls in the period between the Start Date for Keeping an Absorption-Type Merger Agreement and the day when the Absorption-Type Merger takes effect, the above is limited to the contents of the event which have taken place after the last

- day of said new most recent business year).
- (iii) the balance sheet prepared by the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger (limited to a Financial Instruments Incorporated Association to be liquidated) pursuant to the provisions of Article 492, paragraph (1) of the Companies Act, as applied mutatis mutandis pursuant to Article 100-17, paragraph (1) of the Act;
 - (iv) if, in regard to a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger, the disposal of any important asset, assumption of a material obligation, or any other event which would have a material impact on assets status has taken place after the last day of the most recent business year (if the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, after the day of the formation of the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger), the contents thereof (when the new most recent business year falls in the period between the Start Date for Keeping an Absorption-Type Merger Agreement and the day when the Absorption-Type Merger takes effect, the above is limited to the contents of the event which have taken place after the last day of said new most recent business year).
 - (v) matters pertaining to the prospective performance by the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger of its obligations (limited to the obligations held to a creditor that may raise an objection as to the Absorption-Type Merger pursuant to the provisions of Article 101-4, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 139-4, paragraph (4) of the Act) on or after the day when the Absorption-Type Merger becomes effective.
 - (vi) if, for the period between the Start Date for Keeping an Absorption-Type Merger Agreement and the day when the Absorption-Type Merger takes effect, any change has arisen in any of the matters listed in each of the items of the preceding item, said matters after the change.

(Matters Subject to Ex-Post Facto Disclosure by a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger)

Article 83 (1) Matters pertaining to the Absorption-Type Merger specified by Cabinet Office Ordinance, referred to in Article 139-4, paragraph (7) of the Act, are as follows:

- (i) the day when the Absorption-Type Merger has become effective;
- (ii) the progress of the procedures in regard to the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger pursuant

- to the provisions of Article 101-4 of the Act as applied mutatis mutandis pursuant to Article 139-3, paragraph (5) of the Act;
- (iii) the progress of the procedures in regard to the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger pursuant to the provisions of Article 101-4 of the Act as applied mutatis mutandis pursuant to Article 139-4, paragraph (4) of the Act;
 - (iv) matters relating to the important rights and obligations which the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger has succeeded to from the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger due to the Absorption-Type Merger;
 - (v) matters stated or recorded in the documents or electronic or magnetic records kept by the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger pursuant to the provisions of Article 139-3, paragraph (1) of the Act (excluding the contents of the Absorption-Type Merger agreement);
 - (vi) the day when the registration of a change under Article 79 of the Commercial Registration Act (Act No. 125 of 1963) as applied mutatis mutandis pursuant to Article 145, paragraph (1) of the Act has been completed; and
 - (vii) in addition to what is listed in each of the preceding items, other important matters relating to the Absorption-Type Merger.
- (2) The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 139-4, paragraph (9), item (iv) of the Act, is the means designated by the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger, among the methods set forth in each of the items of Article 17.

(Matters Subject to Prior Disclosure by a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger)

Article 84 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 139-5, paragraph (1) of the Act, are as follows:

- (i) matters pertaining to the adequacy of the provisions set forth in sub-item (a) or (b) below, in accordance with the categories of the respective cases set forth therein:
 - (a) when the Financial Instruments Exchange Established by a Consolidation-Type Merger is a Stock Company-Operated Financial Instruments Exchange: the provisions concerning the matters listed in Article 139-2, paragraph (1), items (vi) through (ix) of the Act;
 - (b) when the Financial Instruments Exchange Established by a Consolidation-Type Merger is a Membership-Type Financial Instruments

Exchange: if an amount of money which a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger pays to members of a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger has been provided, such provision.

- (ii) if the Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger has issued share options, matters pertaining to the adequacy of provisions concerning the matters set forth in Article 139-2, paragraph (1), items (viii) and (ix) of the Act;
- (iii) the contents of the financial statements, etc. pertaining to the most recent business year of the other Financial Instruments Exchange Disappearing in a Consolidation-Type Merger (excluding the Financial Instruments Incorporated Association and the Stock Company-Operated Financial Instruments Exchange which are to be liquidated) (if the other Financial Instruments Exchange Disappearing in a Consolidation-Type Merger was formed in the business year containing the Start Date for Keeping a Consolidation-Type Merger Agreement (meaning the day when the document or electronic or magnetic record stating or recording the contents of the Consolidation-Type Merger agreement is to be kept pursuant to the provisions of Article 139-5, paragraph (1) or Article 139-14, paragraph (1) of the Act; the same applies hereinafter), the balance sheet as of the day of the formation of the other Financial Instruments Exchange Disappearing in a Consolidation-Type Merger);
- (iv) the balance sheet prepared by the other Financial Instruments Exchange Disappearing in a Consolidation-Type Merger (limited to the Financial Instruments Incorporated Association and the Stock Company-Operated Financial Instruments Exchange which are to be liquidated) pursuant to the provisions of Article 492, paragraph (1) of the Companies Act (including the case where it is applied mutatis mutandis pursuant to Article 100-17, paragraph (1) of the Act);
- (v) if, in regard to a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger (excluding a Financial Instruments Incorporated Association to be liquidated), the disposal of any important asset, assumption of a material obligation, or any other event which would have a material impact on assets status has taken place after the last day of the most recent business year (if the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger was formed in the business year in which the Start Date for Keeping a Consolidation-Type Merger Agreement falls, after the day of the formation of the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger), the contents thereof (when the new most recent

business year falls in the period from the Start Date for Keeping a Consolidation-Type Merger Agreement and the day when the Consolidation-Type Merger takes effect, the above is limited to the contents of the events which have taken place after the last day of said new most recent business year);

(vi) matters pertaining to the prospective performance by the Financial Instruments Exchange Established by a Consolidation-Type Merger of its obligations (excluding the obligations succeeded to from the other Financial Instruments Exchange Disappearing in a Consolidation-Type Merger) on or after the day when the Consolidation-Type Merger is to become effective;

(vii) if, after the Start Date for Keeping a Consolidation-Type Merger Agreement, any change has arisen in the matters listed in each of the preceding items, said matters after the change.

(2) The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 139-5, paragraph (2), item (iv) of the Act, is a means designated by a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger, among the methods set forth in each of the items of Article 17.

(Matters Subject to Ex-Post Facto Disclosure by a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger)

Article 85 The matters specified by Cabinet Office Ordinance, referred to in Article 139-6, paragraph (3) of the Act, are as follows:

(i) the day when the Consolidation-Type Merger has become effective;

(ii) the progress of the procedures pursuant to the provisions of Article 101-4 of the Act as applied mutatis mutandis pursuant to Article 139-5, paragraph (5) of the Act;

(iii) matters pertaining to the important rights and obligations which the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger has succeeded to from the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger due to the Consolidation-Type Merger; and

(iv) in addition to what is listed in the preceding three items, other important matters relating to the Consolidation-Type Merger.

(Matters to Be Stated in a Document to Be Kept by a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger)

Article 86 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 139-6, paragraph (4) of the Act, are the matters stated or recorded in the documents or electronic or magnetic records kept by the Membership-Type

Financial Instruments Exchange Disappearing in a Consolidation-Type Merger pursuant to the provisions of Article 139-5, paragraph (1) of the Act (excluding the contents of the Consolidation-Type Merger agreement).

- (2) The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 139-6, paragraph (5), item (iv) of the Act, is the means designated by the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger, among the methods set forth in each of the items of Article 17.

(Matters Subject to Prior Disclosure by a Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger)

Article 87 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 139-7, paragraph (1) of the Act, are as follows:

- (i) matters pertaining to the adequacy of provisions concerning the matters listed in Article 139, items (ii) and (iii) of the Act (when there is no such provision, the adequacy as to the lack thereof);
- (ii) the following matters pertaining to the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger (excluding a Financial Instruments Incorporated Association which is liquidated):
 - (a) the contents of the financial statements, etc. for the most recent business year (if the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, the balance sheet as of the day of the formation of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger); and
 - (b) if, after the last day of the most recent business year (if the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, after the day of formation of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger), the disposal of any important asset, assumption of a material obligation, or any other event which would have any material impact on assets status has taken place, the contents thereof (when the new most recent business year falls in the period between the Start Date for Keeping an Absorption-Type Merger Agreement and the day when the Absorption-Type Merger takes effect, the above is limited to the contents of the events which have taken place after the last day of said new most recent business year).
- (iii) the balance sheet prepared by the Membership-Type Financial

- Instruments Exchange Disappearing in an Absorption-Type Merger (limited to the Financial Instruments Incorporated Association to be liquidated) pursuant to the provisions of Article 492, paragraph (1) of the Companies Act, as applied mutatis mutandis pursuant to Article 100-17, paragraph (1) of the Act;
- (iv) the following matters pertaining to the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger:
 - (a) if, in regard to the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger, the disposal of any important asset, assumption of a material obligation, or any other event which would have a material impact on the status of company assets has taken place after the last day of the most recent business year (if the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, after the day of formation of the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger), the contents thereof (when the new most recent business year falls in the period between the Start Date for Keeping an Absorption-Type Merger Agreement and the day when the Absorption-Type Merger takes effect, the above is limited to the contents of the events which have taken place after the last day of said new most recent business year);
 - (b) if the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger was formed in the business year in which the Start Date for Keeping an Absorption-Type Merger Agreement falls, the balance sheet as of the day of formation of the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger.
 - (v) matters pertaining to the prospective performance by the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger of its obligations (limited to the obligations held to a creditor who may raise an objection as to the Absorption-Type Merger pursuant to the provisions of Article 139-12, paragraph (1) of the Act) on or after the date when the Absorption-Type Merger is to become effective; and
 - (vi) if, for the period between the Start Date for Keeping an Absorption-Type Merger Agreement and the day when the Absorption-Type Merger takes effect, any change has arisen in the matters listed in each of the preceding items, said matters after the change.
- (2) The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 139-7, paragraph (2), item (iv) of the Act, is the means designated by the Stock Company-Operated Financial Instruments Exchange

Surviving an Absorption-Type Merger, among the methods set forth in each of the items of Article 17.

(Amount of Net Assets of a Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger)

Article 88 The methods specified by Cabinet Office Ordinance, referred to in Article 139-9, paragraph (1), item (ii) of the Act, are a method whereby the amount obtained by subtracting the amount listed in item (vii) from the sum of the amounts listed in items (i) through (vi) as of the Record Date (meaning the day of conclusion of an Absorption-Type Merger agreement (if a day other than the day of conclusion of the Absorption-Type Merger agreement has been designated under the Absorption-Type Merger agreement (limited to the time included in the period from the day of conclusion of said Absorption-Type Merger agreement to the time immediately before the Absorption-Type Merger takes effect), it means said day); the same applies in item (v)) (or five million yen, when said amount is less than five million yen) is treated as the amount of the net assets of the Stock Company-Operated Financial Instruments

Exchange Surviving an Absorption-Type Merger:

- (i) the amount of stated capital;
- (ii) the amount of capital reserve;
- (iii) the amount of retained earnings reserve;
- (iv) the amount of surplus set forth in Article 446 of the Companies Act;
- (v) the amount pertaining to valuation and translation adjustments as of the last day of the most recent business year (if the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger was incorporated or formed in the business year in which the Record Date falls, the day of incorporation or formation of the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger);
- (vi) the book value of share options;
- (vii) the total amount of the book value of treasury shares and its own share options.

(Number of Shares)

Article 89 The number specified by Cabinet Office Ordinance, referred to in Article 139-9, paragraph (2) of the Act, is the smallest of the following numbers:

- (i) the number obtained by adding one to the number obtained by multiplying the total number of Specified Shares (meaning the shares which entitles the shareholders to exercise their voting rights at a shareholders meeting to be held in the event that a shareholder has given notice to the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type

Merger to the effect that said shareholders dissent from the Absorption-Type Merger pursuant to the provisions of Article 139-9, paragraph (2) of the Act; the same applies hereinafter in this Article) by half (when the articles of incorporation provide that adoption of such a resolution at a shareholders meeting requires the presence of shareholders having voting rights of not less than a certain proportion of all voting rights pertaining to said Specified Shares, by such proportion), and further by one-third (when the articles of incorporation provide that adoption of such a resolution at a shareholders meeting requires affirmative votes of not less than a certain proportion of the total number of voting rights held by the Specified Shareholders (meaning the shareholders of Specified Shares; the same applies hereinafter in this Article) present at the meeting, by a proportion obtained by subtracting said proportion from one);

- (ii) the number of Specified Shares held by the Specified Shareholders who have given notice to the effect that they dissent from the act set forth in Article 139-9, paragraph (2) of the Act, when the articles of incorporation provide that adoption of the resolution pertaining to said act requires affirmative votes of not less than a certain number of Specified Shareholders, and when the total number of Specified Shareholders, less the number of Specified Shareholders who have given notice to the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger to the effect that they dissent from said act, is less than said certain number;
- (iii) the number of Specified Shares held by the Specified Shareholders who have given notice to the effect that they dissent from an act set forth in Article 139-9, paragraph (2) of the Act, when the articles of incorporation provide that adoption of the resolution pertaining to such act is subject to any provisions of the articles of incorporation other than those set forth in the preceding two items, and when the resolution is not adopted if all of the Specified Shareholders who have given notice to the effect that they dissent from said action cast dissenting votes at the shareholders meeting set forth in that paragraph;
- (iv) the number specified by the articles of incorporation.

(Matters Relating to Financial Statements)

Article 90 The matters specified by Cabinet Office Ordinance, referred to in Article 139-12, paragraph (2), item (iii) of the Act, are the matters specified in each of the following items, in accordance with the categories of the respective cases set forth therein, as of the day of the public notice under the provisions of that paragraph or the day of the notice under the provisions of that paragraph, whichever comes earlier:

- (i) if a Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger has given public notice of the balance sheet pertaining to the most recent business year or a summary thereof pursuant to the provisions of Article 440, paragraph (1) or (2) of the Companies Act: the matters listed in the following sub-items:
 - (a) if the public notice has been made in an Official Gazette, the date of said Official Gazette and the page number on which such public notice has been published;
 - (b) if the public notice has been made in a daily newspaper that publishes matters on current affairs, the name and date of said newspaper, and the page number on which the public notice has been published;
 - (c) if the public notice has been made in an Electronic Public Notice, the matters listed in Article 911, paragraph (3), item (xxix), sub-item (a) of the Companies Act.
- (ii) if, with regard to the balance sheet pertaining to the most recent business year, a Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger has implemented the measures set forth in Article 440, paragraph (3) of the Companies Act: the matters listed in Article 911, paragraph (3), item (xxvii) of that Act;
- (iii) when the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger is a stock company as set forth in Article 440, paragraph (4) of the Companies Act, and if said Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger has submitted the Annual Securities Report pertaining to the most recent business year pursuant to the provisions of Article 24, paragraph (1) of the Act: such fact;
- (iv) if the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger was established in the business year containing the day when said notice was given: such fact;
- (v) when the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger is a liquidating stock company: such fact;
- (vi) in the cases other than those listed in each of the preceding items: the content of the summary of the balance sheet pertaining to the most recent business year under Chapter II, Part VI of the Ordinance on Accounting of Companies (Ordinance of Ministry of Justice No. 13 of 2006).

(Matters Subject to Ex-Post Facto Disclosure by a Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger)

Article 91 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 139-13, paragraph (1) of the Act, are as follows:

- (i) the day when the Absorption-Type Merger has become effective;
 - (ii) the progress of the procedures in regard to the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger under the provisions of Article 101-4 of the Act as applied *mutatis mutandis* pursuant to Article 139-3, paragraph (5) of the Act;
 - (iii) the progress of the procedures in regard to the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger under the provisions of Article 139-11 and Article 139-12 of the Act;
 - (iv) matters pertaining to the important rights and obligations which the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger has succeeded to from the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger due to the Absorption-Type Merger;
 - (v) matters stated or recorded in the documents or electronic or magnetic records kept by the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger pursuant to the provisions of Article 139-3, paragraph (1) of the Act (excluding the contents of the Absorption-Type Merger agreement);
 - (vi) the day when the registration of a change under Article 921 of the Companies Act has been completed; and
 - (vii) in addition to what is listed in each of the preceding items, any important matter relating to the Absorption-Type Merger.
- (2) The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 139-13, paragraph (3), item (iv) of the Act, is a means designated by the Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger, among the methods set forth in each of the items of Article 17.

(Matters Subject to Prior Disclosure by a Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger)

Article 92 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 139-14, paragraph (1) of the Act, are as follows:

- (i) matters pertaining to the adequacy of provisions concerning the matters listed in Article 139-2, paragraph (1), items (vi) and (vii) of the Act;
- (ii) if the Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger has issued share options, the matters pertaining to the adequacy of provisions concerning the matters listed in Article 139-2, paragraph (1), items (viii) and (ix) of the Act;
- (iii) the following matters pertaining to the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger (excluding the Financial Instruments Incorporated Association to be

liquidated):

- (a) the contents of the financial statements, etc. pertaining to the most recent business year (if the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger was formed in the business year in which the Start Date for Keeping a Consolidation-Type Merger Agreement falls, the balance sheet as of the day of formation of the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger);
- (b) if, in regard to the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger, the disposal of any important asset, assumption of a material obligation, or any other event which would have any material impact on assets status has taken place after the last day of the most recent business year (if the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger was formed in the business year in which the Start Date for Keeping a Consolidation-Type Merger Agreement falls, after the day of the formation of the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger), the contents thereof (when the new most recent business year falls in the period between the Start Date for Keeping a Consolidation-Type Merger Agreement and the day when the Consolidation-Type Merger takes effect, the above is limited to the contents of the events which have taken place after the last day of said new most recent business year);
- (iv) the balance sheet prepared by the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger (limited to the Financial Instruments Incorporated Association to be liquidated) pursuant to the provisions of Article 492, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 100-17, paragraph (1) of the Act;
- (v) the following matters in regard to the Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger (excluding a Stock Company-Operated Financial Instruments Exchange to be liquidated; the same applies hereinafter in this item):
 - (a) if, in regard to the Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger, the disposal of any important asset, assumption of a material obligation, or any other event which would have a material impact on the status of the company's assets has taken place after the last day of the most recent business year (if the Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger was formed in the business year in which the Start Date for Keeping a Consolidation-Type Merger Agreement falls, after the day of the formation of the Stock Company-

- Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger), the contents thereof (when the new most recent business year falls in the period between the Start Date for Keeping a Consolidation-Type Merger Agreement and the day when the Consolidation-Type Merger takes effect, the above is limited to the contents of the events which have taken place after the last day of said new most recent business year); and
- (b) when there is no most recent business year of the Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger, the balance sheet as of the day of formation of the Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger.
- (vi) matters pertaining to the prospective performance by the Stock Company-Operated Financial Instruments Exchange Incorporated in a Consolidation-Type Merger of its obligation (excluding the obligations succeeded to from another Financial Instruments Exchange Disappearing in a Consolidation-Type Merger) on or after the day when the Consolidation-Type Merger is to become effective; and
- (vii) if, after the Start Date for Keeping a Consolidation-Type Merger Agreement, any change has arisen in the matters listed in each of the preceding items, said matters after the change.
- (2) The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 139-14, paragraph (2), item (iv) of the Act, is a means designated by the Stock Company-Operated Financial Instruments Exchange Disappearing in a Consolidation-Type Merger, among the methods set forth in each of the items of Article 17.

(Matters Relating to Financial Statements)

Article 93 The provisions of Article 90 apply *mutatis mutandis* to the matters specified by Cabinet Office Ordinance referred to in Article 139-12, paragraph (2), item (iii) of the Act as applied *mutatis mutandis* pursuant to Article 139-19 of the Act.

(Matters Subject to Ex-Post Facto Disclosure by a Stock Company-Operated Financial Instruments Exchange Incorporated in a Consolidation-Type Merger)

Article 94 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 139-21, paragraph (1) of the Act, are as follows:

- (i) the day when the Consolidation-Type Merger has become effective;
- (ii) the progress of the procedures under Article 139-11 and Article 139-12 of the Act;

- (iii) matters pertaining to the important rights and obligations which the Stock Company-Operated Financial Instruments Exchange Incorporated in a Consolidation-Type Merger succeeded to from the Financial Instruments Exchange Disappearing in a Consolidation-Type Merger through said Consolidation-Type Merger; and
 - (iv) in addition to what is provided for in the preceding three items, other important matters relating to the Consolidation-Type Merger.
- (2) The electronic or magnetic means specified by Cabinet Office Ordinance, referred to in Article 139-21, paragraph (3), item (iv) of the Act, is a means designated by the Stock Company-Operated Financial Instruments Exchange Incorporated in a Consolidation-Type Merger, among the methods set forth in each of the items of Article 17.

(Written Application for Authorization of a Merger)

- Article 95 (1) A person who intends to obtain the authorization under Article 140, paragraph (1) of the Act must submit to the Commissioner of Financial Services Agency a written application for authorization of a merger set forth in paragraph (2) of that Article, attaching the documents or electronic or magnetic records set forth in paragraph (3) of that Article.
- (2) The documents or electronic or magnetic record specified by Cabinet Office Ordinance, referred to in Article 140, paragraph (3) of the Act, are the following documents (if electronic or magnetic records have been prepared instead of these written documents, such electronic or magnetic records):
- (i) documents stating the contents of the merger agreement;
 - (ii) documents stating the reasons for the merger;
 - (iii) the articles of incorporation, operational rules, and brokerage contract rules of the Financial Instruments Exchange Resulting from a Merger;
 - (iv) the minutes of the general meeting of members related to the merger (meaning a general meeting of members as set forth in Article 139-3, paragraph (3), Article 139-4, paragraph (2), or Article 139-5, paragraph (3) of the Act in cases of a Membership-Type Financial Instruments Exchange; or meaning a shareholders meeting as set forth in Article 139-8, paragraph (1) or Article 139-15, paragraph (1) of the Act or in Article 783, paragraph (1), Article 795, paragraph (1), or Article 804, paragraph (1) of the Companies Act in cases of a Stock Company-Operated Financial Instruments Exchange) of each of the Financial Instruments Exchanges implementing a merger, or any other documents evidencing that the necessary procedures have been followed;
 - (v) the balance sheet and the profit and loss statement (in cases of a Membership-Type Financial Instruments Exchange, the income and expenditures statement) prepared together with said balance sheet in regard

- to each of the Financial Instruments Exchanges implementing the merger;
- (vi) the resumes of the Officers (when any Officer is a corporation, a document describing the background of said Officer) and extracts of the certificates of residence of the Officers (limited to extracts containing descriptions of their registered domiciles; and when any Officer is a corporation, the certificate of registered matters thereof) of the Financial Instruments Exchange Surviving an Absorption-Type Merger or the Financial Instruments Exchange Established by a Consolidation-Type Merger, or any other document in lieu thereof; and a document in which said Officers have pledged that they do not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act, in Article 331, paragraph (1), item (iii) of the Companies Act, and in the items of Article 333, paragraph (3) of that Act;
- (vii) a document stating the names, domiciles or residences, nationalities, and occupations of the major shareholders (when any major shareholder is a corporation or any other type of organization, its trade name or name, the location of its head office or principal office, and the content of business operated), as well as the number of voting rights held by said major shareholders (limited to the cases where the Financial Instruments Exchange Resulting from a Merger is a Stock Company-Operated Financial Instruments Exchange);
- (viii) when there is a person who is to assume a position as an Officer at the time of merger, a document evidencing that said person has accepted this position;
- (ix) documents evidencing that the public notice or the notices under Article 101-4, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 139-3, paragraph (5), Article 139-4, paragraph (4), and Article 139-5, paragraph (5) of the Act, under Article 139-12, paragraph (2) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 139-19 of the Act), or under Article 789, paragraph (2), Article 799, paragraph (2), or Article 810, paragraph (2) of the Companies Act (if, in addition to the public notice in an official gazette, a public notice has been given in a daily newspaper that publishes matters on current affairs or in Electronic Public Notice pursuant to the provisions of Article 139-3, paragraph (6), Article 139-4, paragraph (5), Article 139-5, paragraph (6), or Article 139-12, paragraph (3) of the Act (including the case where it is applied mutatis mutandis pursuant to Article 139-19 of the Act), or Article 789, paragraph (3), Article 799, paragraph (3), or Article 810, paragraph (3) of the Companies Act, public notice by such method) have been given, and, if any creditor has raised an objection, the fact that the payment has been made or reasonable security has been provided to said creditor or reasonable

- assets have been deposited in trust for the purpose of having said creditor receive the payment, or that said merger is not likely to harm said creditor;
- (x) a document stating the method of succession of the business pertaining to purchase and sale of the Securities and Market Derivatives Transactions on the Financial Instruments Exchange Market established by the Financial Instruments Exchange which is to be extinguished on the grounds of the merger;
 - (xi) a document stating the status of having secured employees who have knowledge and experience in the business of a Financial Instruments Exchange and the status of such employees' assignments;
 - (xii) a document stating the organizational structure for handling processes of the Financial Instruments Exchange Resulting from a Merger and the allocation of such processes; and
 - (xiii) other documents stating matters may be helpful in an examination conducted pursuant to the provisions of Article 141, paragraph (1) of the Act.

(Electronic or Magnetic Records to Be Attached to a Written Application for Authorization)

Article 96 The electronic or magnetic records specified by Cabinet Office Ordinance, referred to in Article 140, paragraph (3) of the Act, are the electronic or magnetic records set forth in Article 5.

Subsection 2 Accounting at the Time of a Merger

Division 1 General Rules

(Consideration of Accounting Practices)

Article 97 For the purpose of interpreting the terms set forth in this Subsection and applying the provisions hereunder, business accounting standards that are generally accepted as fair and appropriate and other business accounting practices must be considered.

(Matters Required for Accounting at the Time of a Merger)

Article 98 The matters necessary for the accounting at the time of a merger specified by Cabinet Office Ordinance, referred to in Article 143, paragraph (2) of the Act, are to be governed by the provisions of this Subsection, and when it is impossible or inappropriate to perform accounting pursuant to the provisions of this Subsection, the business accounting standards that are generally accepted as fair and appropriate are to govern.

(Goodwill)

Article 99 When a Membership-Type Financial Instruments Exchange

implements an Absorption-Type Merger (meaning an Absorption-Type Merger as set forth in Article 137 of the Act; hereinafter the same applies in the following Article and Article 101) or a Consolidation-Type Merger (meaning a Consolidation-Type Merger as set forth in Article 138 of the Act; the same applies in Article 103 through Article 105), it may record an appropriate amount of goodwill as an asset or liability.

**Division 2 Accounting in an Absorption-Type Merger between a
Membership-Type Financial Instruments Exchange and Another
Membership-Type Financial Instruments Exchange**

(Change in Net Assets, etc. of a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger When the Consideration for an Absorption-Type Merger in Whole or in Part Comprises Equity in Said Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger)

Article 100 (1) When the Consideration for an Absorption-Type Merger in whole or in part comprises equity in a Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger, the total amount of Net Assets, etc. that changes for the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger (referred to as the "Change in Net Assets, etc." in the following paragraph) is the amount determined pursuant to the method specified in the following items according to the category of cases listed in the respective items:

- (i) cases where said Absorption-Type Merger falls under a Control Acquisition (excluding the cases where it falls under a Control Acquisition by a Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger): a method of calculation on the basis of the Market Value of Consideration for an Absorption-Type Merger or the market value of the Assets Subject to Succession through an Absorption-Type Merger (referred to as a "method of calculation on the basis of the Market Value of Consideration for an Absorption-Type Merger, etc." in the following item);
- (ii) cases where the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger and the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger are in a Common Control Relationship: a method of calculation on the basis of the book value of the Assets Subject to Succession through an Absorption-Type Merger immediately before the Consolidation-Type Merger (for a portion for which a method of calculation on the basis of the Market Value of Consideration for an Absorption-Type Merger, etc. should be used, said method; referred to as a "method of calculation on the basis of the book value,

- etc." in the following item); and
- (iii) cases other than the cases listed in the preceding two items: a method of calculation on the basis of the book value, etc.
- (2) When the Consideration for an Absorption-Type Merger in whole or in part comprises equity in the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger, the amounts of increase in the capital funds and basic reserve of the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger are to be the amounts determined, respectively, by the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger pursuant to the provisions of the Absorption-Type Merger agreement within the scope of said Change in Net Assets, etc., and there is to be no change in the amounts of the basic accumulated funds and surplus or shortfall; provided, however, that when the Change in Net Assets, etc. is less than zero, said Change in Net Assets, etc. is to be the amount of decrease in the surplus or the amount of increase in the shortfall, and there is to be no change in the amounts of the capital funds, basic reserve, and basic accumulated funds.

(Change in Net Assets, etc. of Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger in the Case of Succession of Net Assets, etc.)

- Article 101 (1) Notwithstanding the provisions of the preceding Article, if, when the Consideration for an Absorption-Type Merger in whole comprises equity in the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger, it is appropriate to conduct a calculation by considering that the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger succeeds to the Net Assets, etc. of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger immediately before the Absorption-Type Merger, the amounts of the capital funds, basic reserve and basic accumulated funds and surplus or shortfall of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger immediately before the Absorption-Type Merger may be used, respectively, as the amounts of fluctuation of the capital funds, basic reserve and basic accumulated funds and surplus or shortfall of said Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger.
- (2) If, when there is no Consideration for an Absorption-Type Merger, it is appropriate to conduct a calculation by considering that the Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger succeeds to the Net Assets, etc. of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger immediately before the

Absorption-Type Merger, the total amounts of the capital funds and basic reserve of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger immediately before the Absorption-Type Merger may be used as a change in the basic reserve of said Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger, and the amount of the basic accumulated funds and surplus or shortfall immediately before the Absorption-Type Merger may be used as a change in the surplus or shortfall of said Membership-Type Financial Instruments Exchange Surviving an Absorption-Type Merger.

Division 3 Accounting for an Absorption-Type Merger between a Membership-Type Financial Instruments Exchange and a Stock Company-Operated Financial Instruments Exchange

Article 102 In the case of an Absorption-Type Merger between a Membership-Type Financial Instruments Exchange and a Stock Company-Operated Financial Instruments Exchange, for the accounting purposes of a Stock Company-Operated Financial Instruments Exchange Surviving an Absorption-Type Merger, the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger is deemed to be a Company Absorbed in an Absorption-Type Merger, the equity in the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger is deemed to be shares in a Company Absorbed in an Absorption-Type Merger, the capital funds of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger are deemed as the stated capital of a Company Absorbed in an Absorption-Type Merger, the basic reserve of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger is deemed as the capital surplus of a Company Absorbed in an Absorption-Type Merger, the basic accumulated fund of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger is deemed as the retained earnings reserve of a Company Absorbed in an Absorption-Type Merger, the surplus or shortfall of the Membership-Type Financial Instruments Exchange Disappearing in an Absorption-Type Merger are deemed as the other retained earnings of a Company Absorbed in an Absorption-Type Merger, and Part I, Section 2 of Chapter II of Part II, and Subsection 1 of Section 4 of Chapter III of Part II of the Ordinance on Accounting of Companies in relation to accounting of goodwill and shareholders' equity and members' equity pertaining to said Absorption-Type Merger apply.

Division 4 Accounting for a Consolidation-Type Merger between a

Membership-Type Financial Instruments Exchange and Another Membership-Type Financial Instruments Exchange

(Net Assets, etc. of a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger in Cases of Falling under Control Acquisition)

Article 103 (1) When a Consolidation-Type Merger falls under a Control Acquisition, the total amount of the Net Assets, etc. at establishment of the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger is the total of the amounts specified in the following items in accordance with the category of portion set forth in the respective items (referred to as the "Change in Net Assets, etc." in the following paragraph):

- (i) the portion pertaining to the Membership-Type Financial Instruments Exchange Acquired through a Consolidation-Type Merger: an amount determined by a method of calculation on the basis of the book value of the assets of said Membership-Type Financial Instruments Exchange Acquired through a Consolidation-Type Merger immediately before the Consolidation-Type Merger; and
 - (ii) the portion pertaining to a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger other than the Membership-Type Financial Instruments Exchange Acquired through a Consolidation-Type Merger: an amount determined by a method of calculation on the basis of the Market Value of Consideration for a Consolidation-Type Merger or the market value of the Assets Subject to Succession through a Consolidation-Type Merger to be delivered to the members of said Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger.
- (2) When a Consolidation-Type Merger falls under a Control Acquisition, the amounts of the capital funds and basic reserve at establishment of said Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger are the amounts determined, respectively, by the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger pursuant to the provisions of the Consolidation-Type Merger agreement within the scope of the Change in Net Assets, etc., and the amounts of the basic accumulated funds and surplus or shortfall is zero; provided, however, that the Change in Net Assets, etc. is less than zero, said amount is the amount of the shortfall at establishment and the amounts of the capital funds, basic reserve and basic accumulated funds are zero.
- (3) Notwithstanding the provisions of the preceding two paragraphs, if, when the Consolidation-Type Merger falls under a Control Acquisition, the

Consideration for a Consolidation-Type Merger to deliver to the members of the Membership-Type Financial Instruments Exchange Acquired through a Consolidation-Type Merger in whole comprises equity in the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger, the amounts of the capital funds, basic reserve and basic accumulated funds and surplus or shortfall at establishment of the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger may be the total of the amounts calculated, respectively, by applying mutatis mutandis the provisions specified in the following items in accordance with the category of portion set forth in the respective items:

- (i) the portion pertaining to the Membership-Type Financial Instruments Exchange Acquired through a Consolidation-Type Merger: Article 105; and
- (ii) the portion pertaining to a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger other than the Membership-Type Financial Instruments Exchange Acquired through a Consolidation-Type Merger: paragraph (1) (excluding the part pertaining to item (i) of that paragraph) and the preceding paragraph.

(Net Assets, etc. of a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger in Cases of Being in a Common Control Relationship)

Article 104 (1) When all Membership-Type Financial Instruments Exchanges Disappearing in a Consolidation-Type Merger are in a common control relationship, the total amount of the Net Assets, etc. at establishment of the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger is an amount determined by a method of calculation on the basis of the book value of the Assets Subject to Succession through a Consolidation-Type Merger immediately before the Consolidation-Type Merger (for a portion for which a method of calculation prescribed in paragraph (1) (ii) of the preceding Article should be used, said method).

(2) When all Membership-Type Financial Instruments Exchanges Disappearing in a Consolidation-Type Merger are in a common control relationship, the amounts of the capital funds, basic reserve and basic accumulated funds and surplus or shortfall at establishment of the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger are the total of the amounts calculated, respectively, by applying mutatis mutandis the provisions specified in the following items in accordance with the category of the portion set forth in the respective items:

- (i) the portion pertaining to a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger Succeeding Equity: paragraph (1) of the following Article; and

(ii) the portion pertaining to a Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger Not Succeeding Equity: paragraph (2) of the preceding Article.

(Change in Net Assets, etc. of a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger in Cases of Succession of Net Assets, etc.)

Article 105 (1) If, when all Membership-Type Financial Instruments Exchanges Disappearing in a Consolidation-Type Merger are in a Common Control Relationship, the Consideration for a Consolidation-Type Merger in whole comprises equity in the Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger, and it is appropriate to conduct a calculation by considering that the Membership-Type Financial Instruments Exchange Incorporated in a Consolidation-Type Merger succeeds to the Net Assets, etc. of the Membership-Type Financial Instruments Exchanges Disappearing in a Consolidation-Type Merger immediately before the Consolidation-Type Merger, the respective totals of the amounts of the capital funds, basic reserve and basic accumulated funds and surplus or shortfall of the respective Membership-Type Financial Instruments Exchanges Disappearing in a Consolidation-Type Merger immediately before the Consolidation-Type Merger may be used, respectively, as the amounts of the capital funds, basic reserve, and basic accumulated funds and surplus or shortfall at establishment of said Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger.

(2) Notwithstanding the provisions of the preceding paragraph, if, in cases under that paragraph, there is any Membership-Type Financial Instruments Exchange Disappearing without Consideration Delivered, the provisions of that paragraph apply with the total of the capital funds and basic reserve of said Membership-Type Financial Instruments Exchange Disappearing without Consideration Delivered deemed to be the amount of the basic reserve of such Membership-Type Financial Instruments Exchange Disappearing without Consideration Delivered and with the amount of the basic accumulated funds and surplus or shortfall of said Membership-Type Financial Instruments Exchange Disappearing without Consideration Delivered deemed to be the amount of the surplus or shortfall of said Membership-Type Financial Instruments Exchange Disappearing without Consideration Delivered.

(Net Assets, etc. of a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger in Other Cases)

Article 106 In cases other than the cases prescribed in Article 103, paragraph (1) and Article 104, paragraph (1), the amounts of the capital funds, basic reserve

and basic accumulated funds and surplus or shortfall at establishment of a Membership-Type Financial Instruments Exchange that is established by a Consolidation-Type Merger are calculated according to the rules under the preceding two Articles.

**Division 5 Accounting for a Consolidation-Type Merger between a
Membership-Type Financial Instruments Exchange and a Stock
Company-Operated Financial Instruments Exchange**

Article 107 In the case of a Consolidation-Type Merger between a Membership-Type Financial Instruments Exchange and a Stock Company-Operated Financial Instruments Exchange, for the accounting purposes of the Stock Company-Operated Financial Instruments Exchange Incorporated in the Consolidation-Type Merger, the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger is deemed to be a company disappearing in a Consolidation-Type Merger, the equity in the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger is deemed as shares in a company disappearing in a Consolidation-Type Merger, the capital funds of the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger are deemed as the stated capital of a company disappearing in a Consolidation-Type Merger, the basic reserve of the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger is deemed as the capital surplus of a company disappearing in a Consolidation-Type Merger, the basic accumulated fund of the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger is deemed to be the retained earnings reserve of a company disappearing in a Consolidation-Type Merger, the surplus or shortfall of the Membership-Type Financial Instruments Exchange Disappearing in a Consolidation-Type Merger are deemed to be the other retained earnings of a company disappearing in a Consolidation-Type Merger, and Part I, Section 2 of Chapter II of Part II, and Subsection 2 of Section 6 of Chapter III of Part II of the Ordinance on Accounting of Companies in relation to accounting of goodwill and shareholders' equity and members' equity pertaining to said Consolidation-Type Merger apply.

Articles 108 and 109 Deleted

Section 10 Miscellaneous Provisions

(Application for Authorization of Changes to the Articles of Incorporation, etc.)

- Article 110 (1) A Financial Instruments Exchange which intends to obtain the authorization on change to its articles of incorporation, operational rules, brokerage contract rules, or other rules pursuant to the provisions of Article 149, paragraph (1) of the Act must submit to the Commissioner of Financial Services Agency a written application for authorization, attaching the documents listed in the following items:
- (i) a document stating the reasons for such change;
 - (ii) in case of a change to the articles of incorporation, the minutes of the general meeting of members or the shareholders meeting resolving such change, or any other document evidencing that necessary procedures have been followed;
 - (iii) in cases listed in the following sub-items, a document evidencing that the consent from the Entrusted Self-Regulation Organization under Article 102-32 of the Act or the consent from the self-regulation committee under Article 105-11 of the Act has been obtained:
 - (a) when a Financial Instruments Exchange intends to effect any change to, or abolish any of the matters listed in each of the items of Article 35, paragraph (1) or the items of Article 50, paragraph (1);
 - (b) a case which falls under any of the items of Article 35, paragraph (2) or the items of Article 50, paragraph (2).
- (2) when an application for authorization for the preparation, change, or abolition of the articles of incorporation, operational rules, brokerage contract rules, or other rules is filed pursuant to the provisions of the preceding paragraph, the Commissioner of the Financial Services Agency is to examine whether the application conforms to the criteria listed in the following items:
- (i) that the preparation, change, or abolition for which application has been filed would facilitate the protection of an Entrusting Person and smooth transactions;
 - (ii) that, in the case of a change to the articles of incorporation pertaining to the classes of Securities which may be substituted for guarantee funds and the substitute price therefor, said Securities are secure and negotiable enough to be substituted for guarantee funds;
 - (iii) that, in the case of a preparation, change, or abolition of the operational rules, brokerage contract rules, or any other rules pertaining to the addition of Financial Instruments, etc. or issues of Financial Instruments, etc. which are to be the subject of transactions, such preparation, change, or abolition would facilitate fair and smooth transactions of such Financial Instruments, etc.;
 - (iv) that the Financial Instruments Exchange has followed the necessary procedures concerning the preparation, change, or abolition of its articles of incorporation, operational rules, brokerage contract rules, or any other rules

for which the application for authorization has been filed.

(Notification of Changes Pertaining to Officers, etc.)

Article 111 (1) A Financial Instruments Exchange which intends to make a notification of a change in the matters listed in Article 81, paragraph (1), item (iii) of the Act pursuant to the provisions of Article 149, paragraph (2) of the Act must submit to the Commissioner of the Financial Services Agency documents prepared using Appended Form No. 2.

(2) A Financial Instruments Exchange which intends to submit the documents set forth in the preceding paragraph must, in the cases referred to in the following items, attach the documents specified in the respective items:

- (i) if any person has newly assumed the position of Officer: said Officer's resume (when the Officer is a corporation, a document stating the background of said Officer) and an extract of the certificate of residence (limited to an extract containing a description of the registered domicile; and when the Officer is a corporation, the certificate of registered matters of said Officer) or documents in lieu of thereof, and a document in which said Officer has pledged that said Officer does not fall under any of the categories of the persons listed in Article 29-4, paragraph (1), item (ii), sub-items (a) through (g) of the Act and in Article 331, paragraph (1), item (iii) and the items of Article 333, paragraph (3) of the Companies Act;
- (ii) if any party has become a Member, etc.: a document stating the trade name, name, the location of the head office or principal office of such Member, etc.

(Documents to Be Submitted by a Financial Instruments Exchange)

Article 112 (1) A Financial Instruments Exchange must, if any of the documents set forth in the following items in accordance with the respective categories set forth therein have been approved by its general meeting of members or shareholders meeting, submit said documents to the Commissioner of the Financial Services Agency without delay pursuant to the provisions of Article 188 of the Act:

- (i) a Membership-Type Financial Instruments Exchange: the documents listed in the following:
 - (a) a balance sheet prepared using Appended Form No. 3 (if said Membership-Type Financial Instruments Exchange has established a Self-Regulation Organization, a consolidated balance sheet stating the status of business and assets of said Self-Regulation Organization or other Subsidiary Companies in a consolidated manner (such document is to be prepared in the same manner as the consolidated balance sheet set forth in Article 65 of the Ordinance on Accounting of Companies));
 - (b) an income and expenditure statement prepared using Appended Form No.

- 4 (if said Membership-Type Financial Instruments Exchange has established a Self-Regulation Organization, a consolidated income and expenditure statement stating the status of business and assets of said Self-Regulation Organization or other Subsidiary Companies in a consolidated manner (such document is to be prepared in the same manner as the consolidated profit and loss statement set forth in Article 66 of the Ordinance on Accounting of Companies));
- (c) a business report stating the outline of business, the status of Officers and employees, and other information on business;
 - (d) a surplus appropriation statement or a shortfall appropriation statement.
- (ii) a Stock Company-Operated Financial Instruments Exchange: the financial statements set forth in Article 435, paragraph (2) of the Companies Act (if said Stock Company-Operated Financial Instruments Exchange has established a Self-Regulation Organization, the consolidated financial statements set forth in Article 444, paragraph (1) of the Companies Act stating the status of business and assets of said Self-Regulation Organization and other Subsidiary Companies in a consolidated manner), and the business report.
- (2) When a Financial Instruments Exchange intends to submit documents pursuant to the provisions of the preceding paragraph, it is to attach the following documents thereto:
- (i) a table of the status of purchase and sale prepared using Appended Form No. 5;
 - (ii) a summary of the matters that require a resolution made at a general meeting of members or at a shareholders meeting;
 - (iii) a directory of members and a directory of Trading Participants (in the case of a Stock Company-Operated Financial Instruments Exchange, a directory of Trading Participants);
 - (iv) in the case of a Membership-Type Financial Instruments Exchange, the following detailed statements attached to the balance sheet and income and expenditure statement:
 - (a) a detailed statement of tangible fixed assets prepared using Appended Form No. 6;
 - (b) a detailed statement of allowance reserves prepared using Appended Form No. 7;
 - (c) a detailed statement of membership fees and contributions prepared using Appended Form No. 8;
 - (d) a detailed statement of the depreciation of tangible fixed assets prepared using Appended Form No. 9;
 - (e) a detailed statement of guarantee funds prepared using Appended Form No. 10;

- (f) a detailed statement of trading margin and clearing margin prepared using Appended Form No. 11; and
- (g) any other detailed accounting statements.
- (v) in the case of a Stock Company-Operated Financial Instruments Exchange, the documents listed in the following:
 - (a) the supplementary schedule under Article 435, paragraph (2) of the Companies Act;
 - (b) the documents listed in sub-items (e) through (g) of the preceding item;
 - (c) a document stating the names, domiciles or residences, nationalities, and occupations of the major shareholders (when any major shareholder is a corporation or any other type of organization, its trade name or name, the location of its head office or principal office, and the content of business operated), as well as the number of voting rights held by such major shareholders;
- (vi) the following documents relating to the Subsidiary Companies:
 - (a) when the Subsidiary Company is a stock company, the financial statements and business report set forth in Article 435, paragraph (2) of the Companies Act;
 - (b) when the Subsidiary Company is a membership company, the documents listed in the following:
 - 1. the financial statements set forth in Article 617, paragraph (2) of the Companies Act;
 - 2. a written business report containing an outline of business, the status of Officers and employees, and any other information on business.
 - (c) when the Subsidiary Company is a Self-Regulation Organization, the documents listed in the following:
 - 1. a balance sheet;
 - 2. a profit and loss statement;
 - 3. a business report containing an outline of business, the status of board members and employees, and any other information on business;
 - 4. a document stating the calculated net worth of said Self-Regulation Organization; and
 - 5. individual explanatory notes.
- (3) The documents listed in sub-items (a), (b), and (d) of item (i) of paragraph (1) and in 1., 2., and 4. of sub-item (c) of item (vi) of the preceding paragraph must be prepared in accordance with the business accounting standards that are generally accepted as fair and appropriate.
- (4) If a Financial Instruments Exchange has approved the documents listed in the following items by a resolution made by its council or board of directors, it must submit said documents without delay to the Commissioner of the Financial Services Agency, pursuant to the provisions of Article 188 of the Act.

- (i) a balance sheet and profit and loss statement or any other document equivalent thereto, as of the end of the business year and the end of the interim period (in the case of a Listed Company, etc. as set forth in Article 24-4-7, paragraph (1) of the Act, as of the end of each quarter); and
 - (ii) a budget for each business year, or a document equivalent thereto.
- (5) A Financial Instruments Exchange must, pursuant to the provisions of Article 188 of the Act, submit to the Commissioner of the Financial Services Agency a report on its Associated Company (meaning an Associated Company as set forth in Article 8, paragraph (8) of the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc. (Ordinance of Ministry of Finance No. 59 of 1963); the same applies hereinafter in this paragraph and paragraph (8), item (iii)) prepared using Appended Form No. 12, within three months from the end of each business year of said Associated Company.
- (6) A Financial Instruments Exchange must, pursuant to the provisions of Article 188 of the Act, prepare the following documents each month and each year, and submit them to the Commissioner of the Financial Services Agency within one month from the end of said period:
- (i) a balance sheet and profit and loss statement as of the end of each month, or any document equivalent thereto (limited to the case of a Stock Company-Operated Financial Instruments Exchange);
 - (ii) a document stating the status of the maintenance and management of the electronic data processing system which is used for business related to the establishment of the Financial Instruments Exchange Market (hereinafter referred to as the "Electronic Data Processing System" in this Article);
 - (iii) a report on changes in the status of listed Securities prepared using Appended Form No. 13;
 - (iv) a report on volume of transactions within the exchange prepared using Appended Form No. 14.
- (7) If, due to occurrence of any failure in an Electronic Data Processing System, it has become difficult to continuously conduct purchase and sale of Securities and Market Derivatives Transactions, publication of quotations, performance of delivery or other means of settlement, or to continuously make the documents available for public inspection by the use of Electronic Data Processing System pursuant to Article 30, paragraph (1), item (ii) of the Cabinet Order, a Financial Instruments Exchange must, pursuant to the provisions of Article 188 of the Act, immediately notify the Commissioner of the Financial Services Agency to that effect, and submit to said Commissioner without delay a document containing an outline, the cause and treatment of the failures, the matters to be improved, and any other necessary matters in regard to said Electronic Data Processing System.
- (8) If each of the following events has taken place, a Financial Instruments

Exchange must, pursuant to the provisions of Article 188 of the Act, submit to the Commissioner of the Financial Services Agency without delay the documents listed in said items:

- (i) if the Financial Instruments Exchange has rendered any disposition to a Member, etc. pursuant to the provisions of its articles of incorporation: a document stating the details of such disposition rendered to such Member, etc.;
- (ii) if any of the Officers or employees has committed an act in violation of laws and regulations in the course of executing duties: a document stating the details of the act of said Officers or employees in violation of laws and regulations, and if any internal action has been taken, the details thereof, improvement measures related thereto and any other necessary matters;
- (iii) if another corporation or any other type of organization has come to fall under the category of an Associated Company, or when it no longer falls under such category: a document stating the details thereof;
- (iv) in the case of any change to the contents of the Electronic Data Processing System involving a change in the location, the capacity, and the maintenance method thereof or a change in the method of handling a case of malfunction: a document stating the contents of said change.

(Documents to Be Submitted by a Financial Instruments Exchange Holding Company)

Article 113 (1) A Financial Instruments Exchange Holding Company must, pursuant to the provisions of Article 188 of the Act, submit to the Commissioner of the Financial Services Agency the consolidated financial statement set forth Article 444, paragraph (1) of the Companies Act (if said Financial Instruments Exchange Holding Company has established a Self-Regulation Organization, the status of the business and assets of said Self-Regulation Organization and other Subsidiary Companies is to be stated in a consolidated manner) and a business report, within three months from the end of each business year.

(2) When a Financial Instruments Exchange Holding Company intends to submit the documents pursuant to the provisions of the preceding paragraph, it must attach thereto the documents listed in the following items:

- (i) a summary of the matters that require a resolution made at a shareholders meeting or at a board of directors meeting;
- (ii) the documents listed in the following sub-items:
 - (a) the supplementary schedule set forth in Article 435, paragraph (2) of the Companies Act;
 - (b) detailed accounting statements;
 - (c) a document stating the names, domiciles or residences, nationalities, and

- occupations of the major shareholders (when any major shareholder is a corporation or any other type of organization, its trade name or name, the location of its head office principal office, and the content of business operated), as well as the number of voting rights held by such major shareholders.
- (iii) the following documents pertaining to the Subsidiary Companies:
 - (a) when the Subsidiary Company is a stock company, the financial statements and business report set forth in Article 435, paragraph (2) of the Companies Act;
 - (b) when the Subsidiary Company is a membership company, the documents listed in the following:
 - 1. the financial statements set forth in Article 617, paragraph (2) of the Companies Act;
 - 2. a business report containing a summary of business, the status of Officers and employees, and any other information on business.
 - (c) when the Subsidiary Company is a Self-Regulation Organization, the documents listed in the following:
 - 1. a balance sheet;
 - 2. a profit and loss statement;
 - 3. a business report containing a summary of business, the status of Officers and employees, and any other information on business;
 - 4. a document stating the calculated net worth of the Self-Regulation Organization; and
 - 5. individual explanatory notes.
 - (3) The documents listed in 1., 2., and 4. of sub-item (c) of item (iii) of the preceding paragraph must be prepared in accordance with the business accounting standards that are generally accepted as fair and appropriate.
 - (4) If a Financial Instruments Exchange Holding Company has approved the following documents by a resolution of its board of directors, it must submit such documents to the Commissioner of the Financial Services Agency without delay, pursuant to the provisions of Article 188 of the Act:
 - (i) a balance sheet and profit and loss statement or any other document equivalent thereto, as of the end of the business year and the end of the interim period (in the case of the Listed Company, etc. set forth in Article 24-4-7, paragraph (1) of the Act, as of the end of each quarter); and
 - (ii) a budget for each business year, or any document equivalent thereto.
 - (5) The provisions of paragraph (5) of the preceding Article apply mutatis mutandis to a Financial Instruments Exchange Holding Company.

Chapter III Foreign Financial Instruments Exchanges

(Written Application for Authorization)

- Article 114 (1) A person who intends to obtain the authorization set forth in Article 155, paragraph (1) of the Act must submit to the Prime Minister, via the Commissioner of the Financial Services Agency, the written application for authorization set forth in Article 155-2, paragraph (1) of the Act, attaching thereto the documents set forth in paragraph (2) of that Article.
- (2) Matters specified by Cabinet Office Ordinance, referred to in Article 155-2, paragraph (1), item (viii) of the Act, are as follows:
- (i) the day when the Foreign Financial Instruments Market was established;
 - (ii) the name of the business office or any other office (in the case of a Financial Instruments Business Operator which is a foreign corporation, its business office or any other office located in Japan) and the department where the Participant of Foreign Financial Instruments Exchange has installed the Input/Output Device for a Foreign Financial Instruments Exchange (meaning an Input/Output Device for a Foreign Financial Instruments Exchange as set forth in Article 155, paragraph (1) of the Act);
 - (iii) the amount of stated capital or the total amount of investment; and
 - (iv) when it conducts other business, the type thereof.

(Documents to Be Attached to a Written Application for Authorization)

- Article 115 (1) Matters specified by Cabinet Office Ordinance, referred to in Article 155-2, paragraph (2), item (ii) of the Act, are as follows (excluding the matters stated in the Operational Regulations (meaning the Operational Regulations set forth in item (i) of that paragraph)):
- (i) the types of transactions to be conducted by the Participants in Foreign Financial Instruments Exchange;
 - (ii) the name and title of the person who is in charge of the management of business pertaining to Foreign Market Transactions;
 - (iii) the name and organizational structure of the department in charge of business pertaining to Foreign Market Transactions (when a part of the business are to be entrusted to any other party, including the name and organizational structure of such party);
 - (iv) the classes, issues, and unit of purchase and sale of Securities subject to Foreign Market Transactions;
 - (v) the types, issues, and transaction units of a Foreign Market Derivative Transaction subject to a Foreign Market Transaction;
 - (vi) matters pertaining to the qualification for participation in Foreign Market Transactions;
 - (vii) the method of determining purchase and sale prices;
 - (viii) the method of publication of quotes, purchase and sale prices, and any other price information;

- (ix) the method of delivery or any other method of settlement of Securities pertaining to a Foreign Market Transaction, and the method of handling a case of customer default in the performance of a contract;
 - (x) the method of preparation and preservation of transaction records pertaining to Foreign Market Transactions;
 - (xi) the frequency of inspection of status of execution of Foreign Market Transactions, and the name and organizational structure of the department in charge of such inspection; and
 - (xii) any other important matters relating to assuring fairness in Foreign Market Transactions.
- (2) The documents specified by Cabinet Office Ordinance, referred to in Article 155-2, paragraph (2), item (iii) of the Act, are as follows:
- (i) the minutes of the meeting of the board of officers, etc. (meaning the board of officers and any other organ similar thereto) which has adopted the resolution to conduct business pertaining to Foreign Market Transactions;
 - (ii) the resumes and extracts of the certificates of residence (limited to an extract containing a description of registered domicile) of the Officers stationed at the office located in Japan and the representative person in Japan, or any document in lieu thereof;
 - (iii) a document in which the Officers and the representative person in Japan have pledged that they do not fall under any of the categories of the persons listed in Article 82, paragraph (2), item (iii), sub-items (a), (b), and (e) of the Act;
 - (iv) a document stating the organizational structure and allocation of processes;
 - (v) a document evidencing the fact that a period not shorter than that specified in Article 19-4, paragraph (1) of the Cabinet Order has elapsed from the time of establishment of the Foreign Financial Instruments Market in which Participants in a Foreign Financial Instruments Exchange conduct Foreign Market Transactions, or the fact that it falls under the case set forth in paragraph (2) of that Article;
 - (vi) a document stating the judicial system of the state where the authorization applicant is located which governs the business pertaining to establishment of the Foreign Financial Instruments Market;
 - (vii) a written contract which to be used for a transaction with a Participant in a Foreign Financial Instruments Exchange;
 - (viii) a document containing an outline, the location, the capacity, and the maintenance method of the electronic data processing system to be used for the business pertaining the Foreign Market Transactions, and the method of handling a case of malfunction therein; and
 - (ix) a document stating any other matter which may be helpful in an

examination conducted pursuant to Article 155-3, paragraph (1) of the Act.

(Split or Business Transfer)

Article 116 (1) The cases specified by Cabinet Office Ordinance, referred to in Article 19-4, paragraph (2), item (ii) of the Cabinet Order, are the cases where it is found that the business relating to establishing a Foreign Financial Instruments Market may be conducted based on the business succeeded to upon the split alone.

(2) The cases specified by Cabinet Office Ordinance, referred to in Article 19-4, paragraph (2), item (iii) of the Cabinet Order, are the cases where it is found that the business relating to establishing a Foreign Financial Instruments Market may be conducted based on the transferred business alone.

(Preparation of Business Reports)

Article 117 The business reports which are to be submitted by a Foreign Financial Instruments Exchange pursuant to the provisions of Article 155-5 of the Act must be prepared using Appended Form No. 15.

(Matters to Be Notified)

Article 118 The cases specified by Cabinet Office Ordinance, referred to in Article 155-7 of the Act, are as follows:

- (i) cases where the Foreign Financial Instruments Exchange has suspended or recommenced its pertaining to Foreign Market Transactions;
- (ii) cases where the Foreign Financial Instruments Exchange has merged with a person who has established another Foreign Financial Instruments Market (hereinafter referred to as "Establisher of a Foreign Financial Instruments Market" in this item), where the Foreign Financial Instruments Exchange has succeeded to the business relating to establishment of a Foreign Financial Instruments Market in whole or in part from the Establisher of a Foreign Financial Instruments Market, or where the Foreign Financial Instruments Exchange has accepted transfer of the business relating to establishment of a Foreign Financial Instruments Market in whole or in part from an Establisher Foreign Financial Instruments Market;
- (iii) cases where the Foreign Financial Instruments Exchange has filed a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, or commencement of liquidation, or has filed any petition similar thereto in the state where its head office or principal office is located, pursuant to the laws and regulations of that state;
- (iv) cases where the Foreign Financial Instruments Exchange falls under Article 155-3, paragraph (2), item (ii) or (iii) of the Act;

- (v) cases where the Foreign Financial Instruments Exchange has become aware of the fact that any of its Officers or its representative person in Japan falls under any of Article 82, paragraph (2), item (iii), sub-item (a), (b), or (e) of the Act;
- (vi) cases where the Foreign Financial Instruments Exchange has become aware of the fact that any of its Officers stationed at the office located in Japan or its representative person in Japan has committed any act in violation of Laws and Regulations, etc. (meaning the Laws and Regulations, etc. set forth in Article 155-3, paragraph (1), item (ii) of the Act; the same applies in item (i) of paragraph (3) of the following Article);
- (vii) cases where the details of the act set forth in the preceding item have been revealed; and
- (viii) cases where any material change has occurred in the contents of the documents submitted pursuant to the provisions of Article 155-2, paragraph (2), item (iii) of the Act.

(Documents to Be Submitted by a Foreign Financial Instruments Exchange)

Article 119 (1) A Foreign Financial Instruments Exchange must, pursuant to the provisions of Article 188 of the Act, prepare a transaction volume report using Appended Form No. 16 for each month and each year, and must submit it to the Commissioner of the Financial Services Agency within one month from the end of such period.

- (2) If, due to occurrence of any failure in an Electronic Data Processing System used for business pertaining to Foreign Market Transactions, it has become difficult to conduct Foreign Market Transactions or to perform delivery or any other method of settlement on an ongoing basis by the use of said electronic data processing system, a Foreign Financial Instruments Exchange must, pursuant to the provisions of Article 188 of the Act, immediately report to the Commissioner of the Financial Services Agency to that effect, and submit to said Commissioner without delay a document containing an outline, the cause and treatment of the failures, the matters to be improved and any other necessary matters.
- (3) If each of the following events has taken place, a Foreign Financial Instruments Exchange must, pursuant to the provisions of Article 188 of the Act, submit to the Commissioner of the Financial Services Agency without delay the documents listed in said items:
 - (i) cases where the Foreign Financial Instruments Exchange has implemented measures necessary for ensuring that the Participant in a Foreign Financial Instruments Exchange which has violated Laws and Regulations, etc. or its Operational Regulations complies with such Laws and Regulations, etc. or Operational Regulations: a document stating the contents of the measures

implemented against said Participant in a Foreign Financial Instruments Exchange; and

- (ii) cases where any Officer (when a person who is in a position equivalent to that of an accounting advisor is a corporation, the person who is supposed to conduct duty thereof; the same applies hereinafter in this item) or employee has committed any act in violation of laws and regulations in the course of the execution of duties pertaining to a Foreign Market Transaction: a document stating the details of the violation of laws and regulations by such Officer or employee, and if any internal action has been taken, a document stating the improvement measures therefor or any other necessary matters;

Chapter IV Miscellaneous Provisions

(Authorities Designated to Receive Notifications)

Article 120 (1) A person who has submitted to the Prime Minister or the Commissioner of the Financial Services Agency a written application for a license, a written application for authorization, a written application for approval, a written notification or other documents pursuant to the provisions of Article 81, paragraph (1), Article 85-2, paragraph (1), the proviso to Article 87-2, paragraph (1), the proviso to Article 87-3, paragraph (1), Article 87-3, paragraph (3), Article 100-16 (including the cases where it is applied mutatis mutandis to Article 102-36 of the Act), Article 101-17, paragraph (2), Article 102-15, paragraph (1), Article 103-2, paragraph (3), Article 105, Article 106-3, paragraph (1), Article 106-3, paragraph (3) (including the cases where it is applied mutatis mutandis to Article 106-17, paragraph (4) of the Act) or Article 106-3, paragraph (5) (including the cases where it is applied mutatis mutandis to Article 106-17, paragraph (4) of the Act), Article 106-8, paragraph (2), Article 106-11, paragraph (1), Article 106-14, paragraph (3), Article 106-17, paragraph (1), Article 106-22, paragraph (2), the proviso to Article 106-24, paragraph (1), Article 107, paragraph (2), Article 120, Article 122, paragraph (1) (including the cases where it is applied mutatis mutandis to Article 123, paragraph (1) or (2) of the Act), Article 124, paragraph (1) or (3), Article 126, paragraph (2), Article 128, Article 134, paragraph (1), item (v) or paragraph (2), Article 135, Article 140, paragraph (2), Article 149, Article 153-3, or Article 188 (limited to the provisions pertaining to a Financial Instruments Exchange and a Financial Instruments Exchange Holding Company) of the Act must submit copies of such documents to the Director-General of the Local Finance Bureau having jurisdiction over the location of the principal office or the head office of said person (when said location falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, to the Director-General of the Fukuoka Local Finance Branch Bureau).

- (2) A person who has submitted a written application for authorization to the Prime Minister pursuant to the provisions of Article 155-2, paragraph (1) of the Act must submit copies thereof to the Director-General of the Local Finance Bureau having jurisdiction over the domicile of its representative person in Japan (when said location falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, to the Director-General of the Fukuoka Local Finance Branch Bureau).

(Standard Processing Period)

- Article 121 (1) If any applications for a license, authorization, or approval pursuant to the provisions of Article 80, paragraph (1), Article 85, paragraph (1), the proviso to Article 87-2, paragraph (1), the proviso to Article 87-3, paragraph (1) or Article 87-3, paragraph (3), Article 101-17, paragraph (1), Article 102-14, Article 105, paragraph (1), Article 106-3, paragraph (1), Article 106-10, paragraph (1), the proviso to Article 106-10, paragraph (3), the proviso to Article 106-14, paragraph (4), Article 106-17, paragraph (1), the proviso to Article 106-24, paragraph (1), Article 122, paragraph (1) (including the cases where it is applied *mutatis mutandis* to Article 123, paragraph (1) or (2) of the Act), Article 124, paragraph (1) or (3), Article 126, paragraph (2), Article 134, paragraph (1) , paragraph (v), Article 135, paragraph (1), Article 140, paragraph (1), Article 149, paragraph (1), or Article 155, paragraph (1) of the Act has been filed, the Prime Minister or the Commissioner of the Financial Services Agency is to endeavor to render the disposition related to said application within two months from the date of arrival of said application at the office of the Prime Minister or said Commissioner.
- (2) The period referred to in the preceding paragraph is not to include the following periods:
- (i) the period required for any correction to the application;
 - (ii) the period necessary for the applicant to change the particulars of the application; and
 - (iii) the period necessary for the applicant to add any material which is deemed necessary for the examination of such application.