CHAPTER XII

Trading System for Unlisted Stocks

1. An Outline of the OTC Stock Market

(1) What is OTC trading?

In addition to shares traded on stock exchanges (market transactions), shares are also traded over the counter. As only those listed issues that meet certain listing standards may be traded on exchanges, shares that are not eligible for exchange trading need to be traded elsewhere, outside exchanges. Such shares are traded between securities companies serving as brokers/dealers or between customers and brokers/dealers over the counter in negotiated transactions known as "over-the-counter (OTC) transactions." OTC transactions include transactions in unlisted shares (including unlisted class shares issued by listed companies); transactions effected in the OTC securities market; and off-exchange transactions in exchange-listed shares.

(2) An outline of the OTC stock market

As OTC trading becomes active, information about quotes and prices is exchanged among securities companies and distributed to investors, and the market becomes more organized. After the war, OTC trading remained active even after the reopening of stock exchanges. In 1961, actively traded OTC issues were moved to the Second Section of the stock exchange, but stocks continued to be actively traded over the counter to such an extent, in fact, that an OTC stock market, an organized market where OTC securities that met the registration requirements of the JSDA could be traded, was launched in February 1963.

As solicitation for investments was restricted in the early years, the OTC stock market was generally characterized as a market for the liquidation of stock holdings. To remedy the situation, the legal framework was enhanced by the 1971 amendment to the Securities and Exchange Act, and, in 1983, the OTC stock market was defined as a market that complements exchange markets and was drastically reorganized into the JASDAQ market for trading shares of mid-tier small-to-medium sized enterprises with reasonable track records. The JASDAQ market has since grown larger as a market for emerg-

Table XII-1. A Brief History of the OTC Market

1945	Group trading in shares emerges spontaneously after the war.
1949	A system of trading in OTC-authorized issues is launched in June under the rules of the JSDA.
1961	The stock exchanges create the Second Section, into which OTC-authorized issues are absorbed, and the OTC authorizing system is terminated.
1963	The OTC registration system is launched in February.
1976	The OTC market broker, Japan OTC Securities, Inc., is established.
1983	A new OTC Stock Market (the JASDAQ market) is launched in November.
1991	The JASDAQ system comes into operation.
1992	The Prohibited Acts Rule is applied to the JASDAQ market.
1997	The green sheet system is launched.
1998	The JASDAQ market becomes the OTC securities market for the purpose of the Securities and Exchange Act (currently, the Financial Instruments and Exchange Act).
2001	Japan OTC Securities changes its name to JASDAQ, Inc., and takes charge of the market.
2004	The JASDAQ market becomes a securities exchange in December and the OTC securities market is closed.
2005	Green sheet issues become "to-be-handled securities" for the purpose of the Securities and Exchange Act in April, and the regulations of insider trading are applied to green sheet issues.
2008	The Phoenix issue system is spun off from the green sheet system into an independent system.
2015	Equity Crowdfunding Scheme and Shareholders Community System are established in May.
2018	The Green Sheet system is abolished in March.
2022	Launch of J-Ships stock system for professional investors in July.
2023	July: Launch of the Unlisted PTS System, enabling the trading of a variety of securities, including unlisted stocks, on a PTS.
2024	November: Launch of the Registered PTS System. Certain requirements for establishing and operating a PTS are relaxed.

ing companies, and it was redefined as an "OTC securities market" under the Securities and Exchange Act in 1998. But the designation of "OTC securities market" exists only in law following the upgrading of the JASDAQ market into the JASDAQ Securities Exchange in December 2004.

Because the need also arose for trading unlisted stocks outside the JASDAQ market, the JSDA established the "Green Sheet" system in July 1997. Following the abolition of the Green Sheet at the end of March 2018, the JSDA created the crowdfunding system for equities along with the shareholder community system in May 2015. In July 2022, the JSDA Shares and Investment Trusts for Professionals (J-Ships) trading system was launched. Furthermore, in July 2023, the Unlisted PTS System was launched, and in November 2024, the Registered PTS System was launched.

2. OTC Securities, Etc.

(1) Unlisted/unregistered issues

Issuers of unlisted or unregistered stocks are not required by law to disclose their corporate information, and, in principle, JSDA rules prohibit securities companies from soliciting investment in such issues. This is because soliciting the investing public, including individual investors, for an order to buy or sell a security for which no pertinent corporate information is available would subject the public to significant risks and cause various problems from the standpoint of the protection of investors, and such self-regulatory rules have been in place for a long time.

However, brokers/dealers may accept unsolicited orders for such issues and trade them with customers as OTC securities in negotiated transactions. The rules pertaining to such transactions (including those prohibiting the acceptance of market orders and when-issued or margin trading) are contained in the Rules Concerning Over-the-Counter Securities of the JSDA.

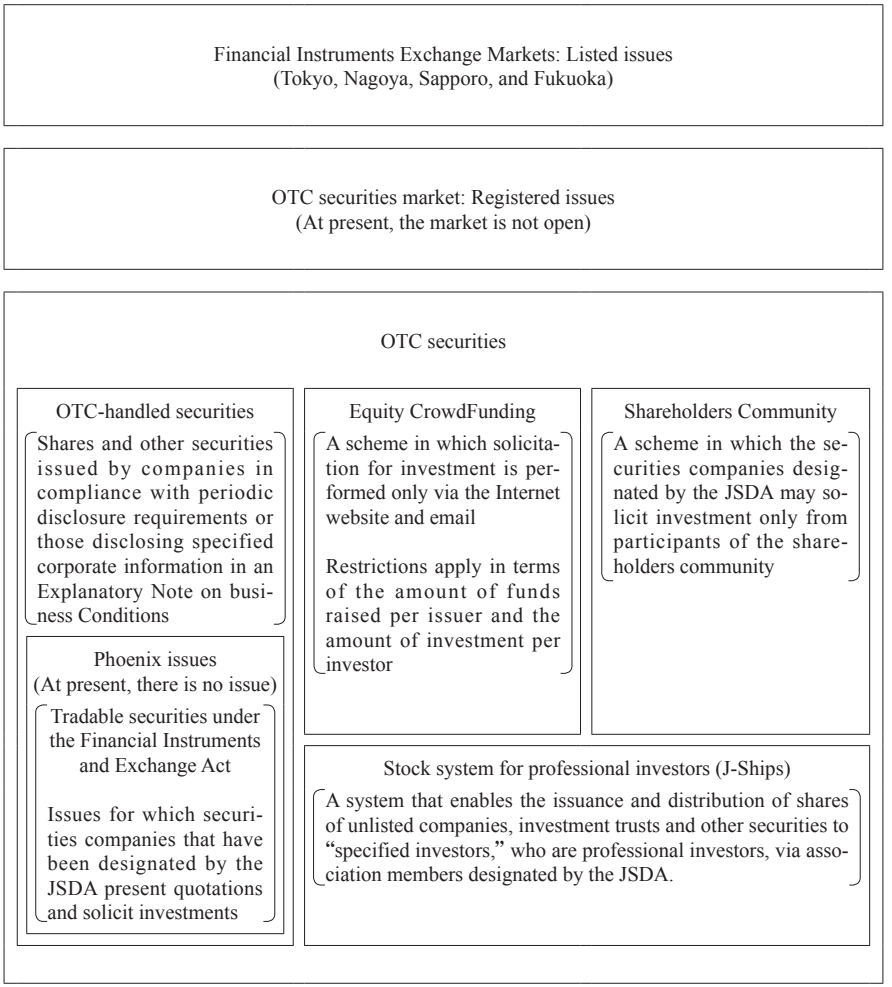
The April 2004 amendment to the Securities and Exchange Act authorized a company to issue an equity product in private placements limited to qualified institutional investors. Under this amendment, the ban on solicitation was lifted for so-called "qualified institutional investor private placements" and "private offerings" on the condition that they did not resell their holdings to anyone other than Qualified Institutional Investors.

(2) OTC-handled securities

Securities whose issuers regularly disclose specified corporate information in the form of an Explanatory Note on Business Conditions are classified as "OTC-handled" under the JSDA regulations because they carry lower risk than other unregistered issues. Investment solicitations may be made for these securities provided certain conditions, such as the preparation of disclosure documents, are met.

An Explanatory Note on Business Conditions is a type of disclosure material required by the JSDA and prepared in accordance with the format for the "corporate information" section of a securities report pursuant to the Financial Instruments and Exchange Act. It should be accompanied by annual financial statements with an audit report that includes the opinion of certified public accountants or persons with equivalent qualifications that the company's financial statements are unqualified or qualified in light of the provisions of the Financial Instruments and Exchange Act or in conformity with those of the Companies Act. The Explanatory Note should also contain forward-looking statements concerning a summary of the company's business plan, its feasibility, and other aspects. In the case of a company in compliance with

Chart XII-1. Relationships Between OTC Securities and Listed/Registered Issues



periodic disclosure requirements, a securities report or a securities registration statement accompanied by an audit report containing an unqualified or qualified opinion can be substituted for the Explanatory Note on Business Conditions.

At present, solicitation for the purchase of OTC-handled securities is partially permitted for primary or secondary offerings of securities provided that the issuer publishes an Explanatory Note on Business Conditions. Solicita-

tion is fully permitted for unlisted securities of listed companies based on the condition that the issuer publishes an Explanatory Document on Securities Information, etc.

3. OTC Securities Transactions for the Purpose of Transferring Management Control, etc.

(1) Transactions in OTC securities for the purpose of transferring management control, etc.

As described previously, securities companies are prohibited in principle from soliciting investment for OTC securities under JSDA rules. On the other hand, business succession has recently become a social challenge for non-listed companies. Based on these circumstances, the ban on solicitation of investment for trading OTC securities for the purpose of transferring management control, etc., including business succession, was lifted in August 2019.

Transactions in OTC securities for the purpose of transferring management rights, etc. refer to transactions in OTC securities, or intermediary services relating thereto, conducted for customers who are prospective purchasers of such securities, with the aim, among other objectives, of acquiring a majority of the voting rights of all shareholders or a majority of the total number of issued shares of the issuing company.

The principal requirements for such transactions are that securities companies and other entities (such as securities firms and financial instruments business operators that conduct special brokerage services for unlisted securities) must obtain consent from the issuing company concerning the attributes of prospective buyers and inform prospective buyers that they may conduct a pre-trade review of the issuer.

(2) Solicitation for investment in OTC securities for professional investors who can assess corporate value

The ban on solicitation of investment in OTC securities was lifted in November 2020 for professional investors who could assess corporate value, etc. in order to facilitate the supply of risk funding to new and growing companies.

"Solicitation for investment in OTC securities for professional investors who can assess corporate value" refers to allowing securities companies handling private placements (small private placements) and soliciting investment from large-scale investors (primarily large investors such as corporate venture capital firms and overseas funds) who are capable of assessing corporate value on their own under certain conditions.

The main requirements for such solicitation of investment are that securities companies obtain written representations and affirmations from their

Table XII-2. Article 3-2 of the Rules Concerning Over-the-Counter Securities of the JSDA's Self-Regulatory Rules

Main contents of the investment solicitation for transaction of Over-the-Counter Securities for the purpose of transferring management control, etc.

1 . Can investment solicitation for transaction of Over-the-Counter Securities for the purpose of transferring management control, etc.
2 . To obtains the consent for the attributes, etc. of the customer who is subject to investment solicitation related to purchase from the issuer
3 . Due diligence
- The issuer cooperates with the Due diligence
- To explains for the candidate for purchase that Due diligence is possible
- To provides a summary of the Due diligence results to the another customer who is subject to investment solicitation through the securities companies, etc. when the candidate for purchase investigates

4 . Confirmation before transaction/Prior explanation
- To confirms before transaction that there is the prospect that the purpose of transferring management control, etc. set forth, etc. before transaction
- To explain in advance that transaction is not executed when there is no prospect that the purpose of transferring management control, etc. set forth, etc.

5 . Reports to the JSDA before and after

Table XII-3. Article 4-2 of the Rules Concerning Over-the-Counter Securities of the JSDA's Self-Regulatory Rules

Main contents of the investment solicitation for Acquisition of Over-the-Counter Securities which is made to professional investors who can evaluate the corporate value

Association members
1 . Can conduct investment solicitation for Over-the-Counter securities to professional investors who are able to evaluate the corporate value on their own responsibility
2 . Must obtain written representations and warranties from customers that they will evaluate the corporate value of the issuing company on their own responsibility and will make an investment based on such evaluation.
3 . Must provide following information of the company
- The company profile
- Business description
- Financial information
- In the case of private placemnts, future perspective

4 . Reports to the JSDA before and after

customers that they are solely responsible for their own assessment of corporate value and that securities companies provide the customers with information about the issuers.

4. Stock System for Professional Investors (J-Ships) (1)

(1) Explanation of the stock system for professional investors (J-Ships)

The stock system for professional investors (J-Ships) was launched in July 2022 to allow securities companies (members of JSDA) to issue and distribute unlisted corporate stocks, investment trusts and other securities to experienced investors, or "professional investors." The establishment of this system enabled private placements and private offerings for professional investors, as well as the handling thereof, in relation to unlisted stocks, investment trusts and other securities. In addition, from July 2023, professional investor securities have also been eligible for trading on a PTS.

The issues that can be traded via J-Ships are OTC securities (stock certificates, stock acquisition rights certificates and corporate bonds with stock acquisition rights), investment trusts and similar securities (investment trust beneficiary certificates, investment securities and certificates of investment equity subscription rights), and trust beneficiary certificates. The same provisions apply mutatis mutandis to foreign stock certificates, foreign investment trusts and other securities as for domestic securities.

(2) Designation of transacting association members

In order for securities companies, etc. to solicit investment from professional investors based on this system, they must submit a notification to the Japan Securities Dealers Association and be designated as a transacting association member. The Japan Securities Dealers Association may decline to designate a securities firm or other entity if it deems this necessary due to reasons such as a violation of laws and regulations, or self-regulatory rules.

When soliciting investment by professional investors exclusively for trading on a PTS, the above process for designation as a transacting association member is not required.

(3) Establishment of a business management system

Transacting association members and securities companies seeking to become transacting association members must prepare an internal set of rules and establish a business management system to ensure that business based on this system is executed in an appropriate manner. In addition, transacting association members must prepare and publish handling guidelines that describe their company's business methods.

(4) Examination and verification

The transacting association member reviews OTC securities, investment trusts, etc., and trust beneficiary certificates for which new investment is so-

Chart XII-2. Stock system for professional investors (J-Ships)

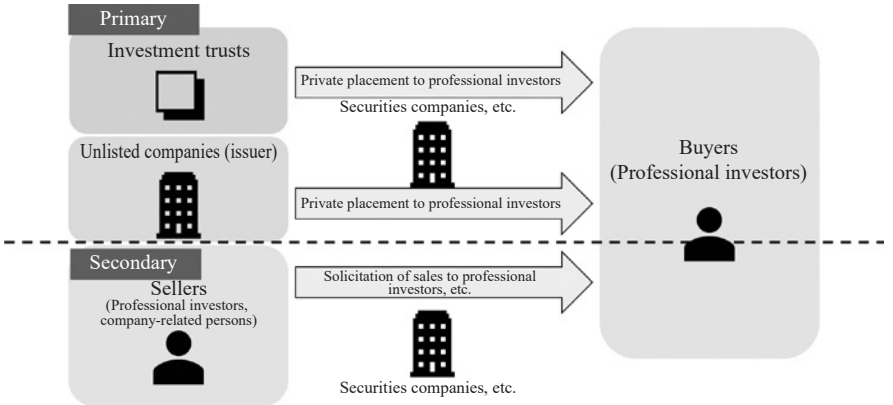
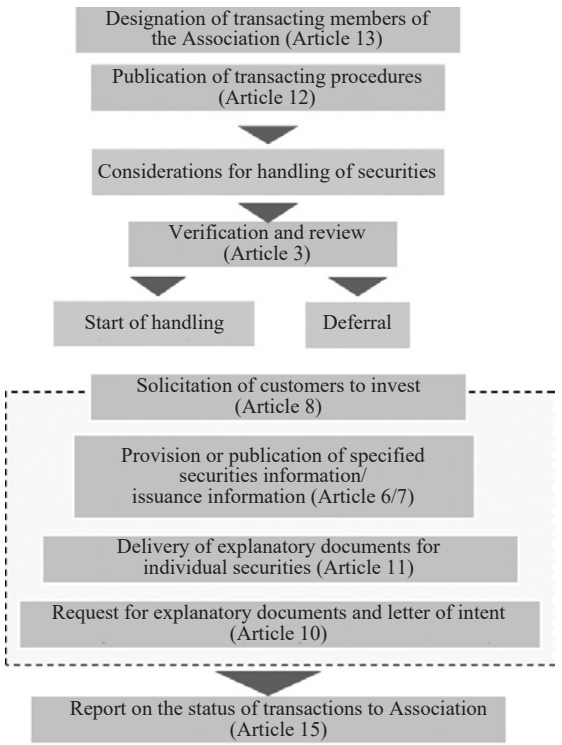


Chart XII-3 Flow of J-Ships transactions (excluding PTS transactions)



licited concerning private placement or private sale to professional investors (no review is required for Japanese investment trust beneficiary certificates). Based on this, it must understand their characteristics and risks, and verify whether it is appropriate to solicit investment and determine the scope of customers to whom the solicitation may be directed. In addition, after examining whether the issuer is associated with anti-social forces (organized crime), it must conclude an agreement with the issuer for their exclusion.

5. Stock System for Professional Investors (J-Ships) (2)

(5) Specified securities information and issuer information

When private placement or private offering to professional investors is carried out based on the J-Ships system, specified securities information must be provided or made available to customers. In addition, issuer information must be provided or made available at least once every business year to customers who hold securities as a result of such solicitation.

The JSDA specifies the format of these documents for each securities category. Specified securities information consists of Section I (Securities Information), Section II (Corporate Information (Fund Information in the case of investment trusts; Trust Asset Information in the case of trust beneficiary certificates)), and Section III (Overview of the Investment Trust Management Company, etc. (only for investment trust beneficiary certificates)). Issuer information consists of corporate information (fund information in the case of investment trusts; trust asset information in the case of trust beneficiary certificates) and an overview of the investment trust management company (only for investment trust beneficiary certificates), which corresponds to Sections II and III of the specified securities information.

(6) Delivery of an explanatory document and request for confirmation at the start of the transaction

The transacting association member shall provide a document describing the risks according to the classification of securities for any customer (limited to individuals who have been reclassified as professional investors) intending to purchase OTC securities, investment trusts, or trust beneficiary certificates for the first time under this system. It must explain the risks and obtain written confirmation that the customer understands the details and is carrying out the transaction at the customer's own discretion and responsibility.

For example, in the case of OTC securities, the following items may be considered as items to be included in the explanatory document: (1) extremely low liquidity, (2) the difficulty of calculating stock prices due to the lack of market prices, and (3) the relatively high risk of bankruptcy compared to

Table XII-4. Items described in the specified securities information

Classification	Item
OTC Securities	【Section 1: Securities Information】 New issue securities (number and type of issue), method and conditions of solicitation for acquisition (total issue value, subscription period, stated capital, details of brokerage agreements for acquisition, etc.), use of proceeds, securities to be sold (type of securities, total offer value, etc.), conditions of sale (offer price, subscription period, details of brokerage agreements for sale, etc.), business risks, etc. 【Section 2: Corporate Information】 Corporate overview (history, business description, etc.), status of the issuer (status of shares, etc., status of directors, status of corporate governance), status of accounting (balance sheet, etc.), status of shareholders, etc.
Investment Trust Beneficiary Certificates	【Section 1: Securities information】 Fund name, form of beneficiary certificate, maximum amount of trust money, issue price, subscription fee, subscription unit, subscription period, subscription and payment handling location, payment date, matters concerning book-entry transfer institution, etc. 【Section 2: Fund information】 Characteristics of the fund (features, structure), investment policy (investment targets, distribution policy, etc.), investment risks, fees and taxes, investment status (assets under management, investment performance), subscription and cancellation procedures, asset management overview, beneficiary rights, etc. 【Section 3: Overview of investment trust companies, etc.】
Investment securities, etc.	【Section 1: Securities Information】 Fund name, form of beneficiary certificate, maximum amount of trust money, issue price, subscription fee, subscription unit, subscription period, subscription and payment handling location, payment date, matters concerning book-entry transfer institution, etc. 【Section 2: Fund information】 Overview of investment company (features, structure, organization, investors' capital contribution, status of major investors), investment policy (investment targets, distribution policy, etc.), investment risks, fees and taxes, status of investments status (investment assets, investment results), outline of procedures, etc., overview of asset management and operation
Trust beneficiary certificates	【Section 1: Securities information】 Format of trust beneficiary securities, number of securities issued, issue price, subscription fee, subscription unit, subscription period, subscription handling location, subscription deposit, payment due date, underwriting, matters concerning book-entry transfer institution, etc. 【Section 2: Trust asset information】 Legal framework governing trust assets, fundamental nature of trust assets, management structure for trust assets, overview and status of assets comprising a trust, structure of trust (overview of trust, beneficiary rights), investment risks, overview of securities administration

※Issuer information is the same as Section II and Section III above.

Table XII-5. J-Ships Operating Status

As of the end of December 2025

	Number of registered dealers (Unit: Companies)	Number of deals handled (Unit: Deals)	Amount of financing (Unit: ¥ million)
2022	1	—	—
2023	5	1	82
2024	6	24	124,409
2025	12	45	179,934

listed stocks. In the case of investment trusts, for example, opportunities for redemption may be limited depending on the product, and the range of assets included in the trust may be broader than for publicly offered investment trusts. In the case of trust beneficiary certificates, it is important to note that, similar to investment trusts, some products have limited redemption opportunities, and depending on the product, the settlor or trustee may be an entity other than a financial instruments business operator or a trust company.

(7) Delivery of explanatory documents for individual securities

When soliciting investments based on this system, the association member must deliver an explanatory document for individual issues and explain the content of the document. The items to be included in the explanatory document include the range of expected customers, the details of the risk of loss, and the conditions for redemption and cancellation, as stipulated by the self-regulatory rules.

6. Equity Crowdfunding (1)

(1) What is equity crowdfunding?

The term "crowdfunding" is a coined word composed of "crowd" and "funding." In May 2015, with a view to promoting the supply of risk capital to new and growing companies, a system for equity crowdfunding was established to enable such companies to raise funds through the issuance of OTC securities. This system connected new and growing companies with funders via the internet, allowing for low-cost and widespread fundraising of small amounts from a large number of contributors.

The equity crowdfunding system may be used by securities companies, intermediaries specializing in small-amount equity crowdfunding (Type I Small-Amount Electronic Public Offering Service Operators) and financial

Chart XII-4. Concept Diagram of Equity Crowdfunding

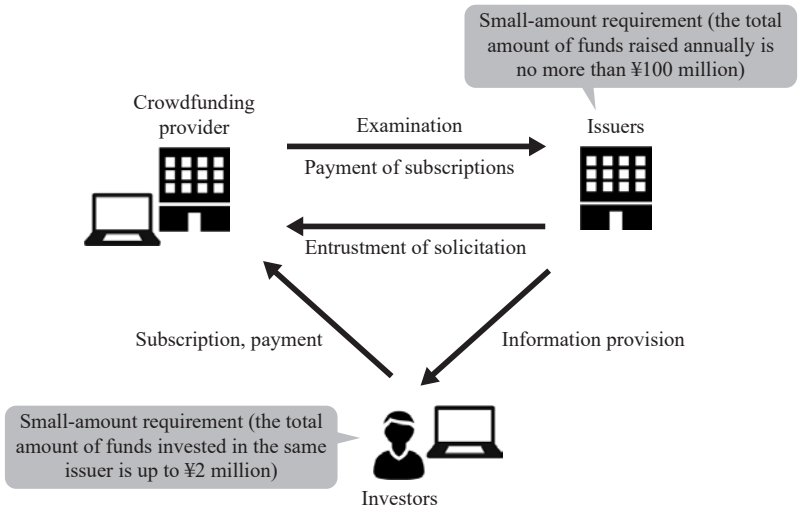


Table XII-6. JSDA's Self-Regulatory Rules
Key components of the Rules Concerning Equity Crowdfunding Operations

1 . Solicitation for investments conducted by members of the JSDA (Securities companies, Type I Small Amount Electronic Subscription Handling Agents, and financial instruments business operators engaged in brokerage and other services related to unlisted securities under special provisions) under the equity crowdfunding scheme is permitted as an exception to the prohibition of investment solicitation relating to unlisted stocks.
2 . Examination of issuers and measures to eliminate antisocial forces
3 . Indication of equity crowdfunding deals on the website
4 . Provision of pre-contractual information
5 . Request for letter of intent from investors purchasing unlisted stocks for the first time under the equity crowdfunding scheme
6 . Small-amount requirements (total amount of funds raised per issuer: less than ¥500 million a year; investment per investor for one issuer: no more than ¥2million a year)
7 . As a general rule, Prohibition of simultaneous use of solicitation method other than the Internet (e.g., telephone and face-to-face contact)
8 . Conclusion of an agreement to the effect that the issuer provides proper information on a periodical basis to investors after the completion of handling of investment under the equity crowdfunding, and confirmation of information provision
9 . Establishment of an operation management system
10. Reporting and publication of monthly results

instruments business operators engaged in special brokerage services for unlisted securities. All of these must be registered as Type I Financial Instruments Business Operators.

(2) Small amount requirements and prohibition of the concurrent use of solicitation methods

In terms of the nature of equity crowdfunding of raising a small amount of funds from each of a large number of investors, certain restrictions apply in the equity crowdfunding system. The amount of funds raised per issuer must be less than ¥500 million per year and the amount of funds contributed per investor (excluding professional investors) to an issuer must not exceed ¥2 million per year depending on the investor's circumstances. In addition, the method of solicitation for investment is limited to using (i) a website and (ii) email assuming the use of the aforesaid website, and solicitation by telephone and visits by securities companies, etc. are prohibited. However, this does not apply to investment solicitations made by Type I Financial Instruments Business Operators (excluding operators specializing in small-scale equity crowdfunding and financial instruments business operators that conduct special brokerage services for unlisted securities) to professional investors (excluding individuals).

(3) Examination of issues and issuers

In handling OTC securities using the equity crowdfunding system, securities companies, etc. may handle such issues as deemed proper after careful examinations of issuers, the nature of their business, financial standing, appropriateness of business plan, intended use of funds, etc. in accordance with their internal rules. Securities companies, etc. also enter into a contract with each issuer to the effect that the issuer is not associated with anti-social forces and must not use an equity crowdfunding system if the issuer is found to be associated with anti-social forces.

7. Equity Crowdfunding (2)

(4) Provision of information via website and receipt/delivery of documents

While using the equity crowdfunding system, securities companies, etc. must provide information on issuers and fundraising as well as on risks, etc. specific to the acquisition of OTC securities issued by the issuers (such as no obligation to provide disclosure comparable to that prescribed by the Financial Instruments and Exchange Act or to the timely disclosure required by stock exchanges) via the website for perusal by investors.

Chart XII-5. Provision of information/receipt of written document on equity-based crowdfunding



1 . To investors: Obligation to disclose information on website
1) Information on issues and issuers
2) Information on financing
3) Risk information
4) Other



2-1. To subscribing investors: Obligation to provide pre-contractual information
1) Information on financing
2) Risk information
3) Other

2-2. To investors subscribing for the first time: Obligation to receive a confirmation note
- document containing the contents of provision of pre-contractual information must be delivered to the investors, and a confirmation note must be secured stating that investors understand the risks and details of the transaction and that they carry out the transaction at their own discretion and re-sponsibility.

Offer period



3 . To investors who become shareholders: Obligation to provide information
- The issuer regularly provides appropriate information on the business to investors who have become shareholders
- The handing agent signs an information provision contract with the issuer in advance to confirm that the information is actually being provided.

After the offer period is closed

Table XII-7. Handling of Equity Crowdfunding

As of end of December 2025

	Number of registered firms (companies)	Number of deals handled (deals)	Amount of financing (¥1,000)
2016	—	—	—
2017	3	18	514,740
2018	3	59	1,470,395
2019	3	54	951,590
2020	6	100	2,179,624
2021	5	159	3,736,570
2022	5	164	2,506,901
2023	5	84	1,896,110
2024	5	91	2,370,995
2025	5	104	2,421,896

Furthermore, in order to receive confirmation from investors (excluding professional investors) purchasing OTC securities for the first time under the equity crowdfunding system of their understanding of risks, commissions, etc. involved and of making the investment based on their judgment and responsibility, securities companies, etc. must provide advance explanations of these matters, obtain a written confirmation from each investor, and provide pre-contractual information concerning individual issues, including at minimum the matters to be disclosed via the website, for each such acquisition.

(5) Periodical subsequent information offering by issuer
Securities companies, etc. must have an agreement with each respective issuer that it shall regularly provide appropriate information on its business after the completion of equity crowdfunding.

(6) Reporting and announcement of investment status
Securities companies, etc. must report the status of investments made under the equity crowdfunding system on a monthly basis to the JSDA, and the JSDA publishes the information reported.

(7) Business management system of securities companies
Securities companies, etc. must formulate internal rules and establish a business management system necessary for properly carrying out equity crowdfunding in compliance with laws and regulations and self-regulatory rules. In addition, securities companies, etc. are required to prepare handling guidelines describing their equity crowdfunding procedures and publish them on their website to enable investors to view them.

In the event that a securities company, etc. violates laws and regulations or self-regulatory rules and is ordered to improve its business management system, the securities company cannot engage in equity crowdfunding until the required improvements have been completed.

8. Shareholders Community (1)

(1) What is the Shareholders Community?
The JSDA established the Shareholders Community System in May 2015 as a system for unlisted stock trading and fundraising in place of the Green Sheet system that was abolished at the end of March 2018.

The Shareholders Community was established as a mechanism in which securities companies and other entities (including securities firms and financial instruments business operators that conduct special brokerage services for unlisted securities) create a shareholders community for each OTC issue

Chart XII-6. Basic Mechanism of Shareholders Community

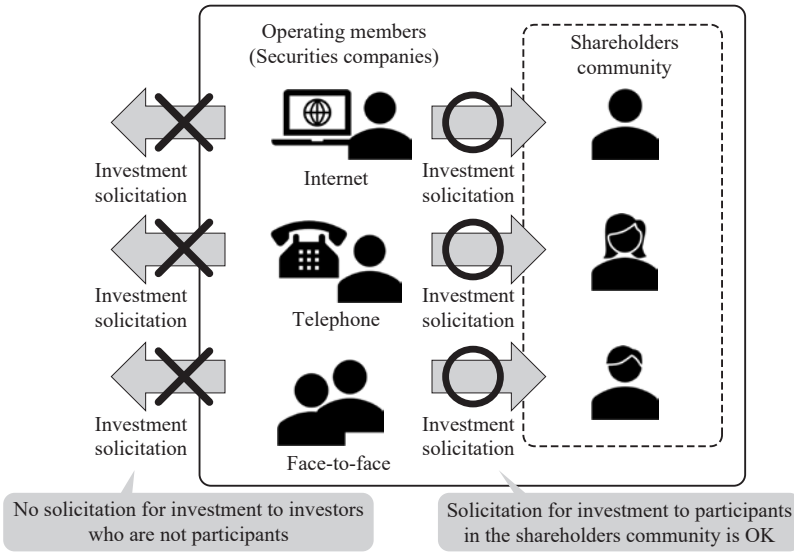


Table XII-8. Major Components of the JSDA's Self-Regulatory Rules regarding Shareholders Community

1 . Securities companies, etc. establish a shareholders community for unlisted stocks, etc. Investors who intend to invest in such unlisted stocks, etc. participate in the shareholders community.
  • Assumed principal participants include officers and employees and their families of the issuer; shareholders and business partners of the issuer; and users and customers of the issuer's business.
2 . Securities companies, etc. that establish and operate shareholders' communities are designated by the JSDA as Operating Members.
3 . Solicitation for investment is allowed only toward investors who participate in a shareholders community.
  • Solicitation for participation in a shareholders community is allowed only toward the executives and employees of the issuer and the issuer's shareholders and other company-related persons.
  • Only limited information is available to investors who are not participants in the shareholders community.
4 . Examination of issuers and measures to eliminate antisocial forces
5 . Investors participating in a shareholders community are provided with financial statements, business reports and other information based on the Companies Act in regard to the issuer.
6 . Provision of pre-contractual information
7 . Investors who participate in a shareholders community for the first time are requested to submit a letter of intent.
8 . Establishment of an operation management system
9 . Weekly reporting and public disclosure of trades

and solicit investments only from investors who voluntarily register to participate in the community.

(2) Designation of operating members

In order for a securities company to create and operate a shareholders community, it must submit a notification to the JSDA and receive designation as an operating member. The JSDA may decide not to grant designation if the securities company is found to be in violation of laws and regulations or self-regulatory rules.

(3) Establishment of a business management system

Operating members and securities companies intending to become operating members must formulate internal rules and put in place a business management system necessary for properly operating shareholders communities. In addition, operating members are required to prepare handling guidelines describing the operation of their shareholders community and publish them.

(4) Exceptions to prohibition of solicitation for participation in a shareholders community

Operating members may not solicit investors who are not shareholders community participants to participate in a shareholders community. However, if an investor falls under any of the following categories: (1) a shareholder of the issuer, (2) an officer or employee of the issuer, (3) an officer or employee of a group company of the issuer, (4) an officer or employee of a business partner of the issuer, (5) any person who was previously in any of the categories listed in (1) through (4), (6) a relative of a current or former officer or employee, or (7) a professional investor, the operating members may solicit participation in the shareholders community.

(5) Examination of issues and issuers

In handling OTC securities for which a shareholders community is to be created, operating members strictly examine each issuer and verify the nature of their business, etc. in accordance with their internal rules and handle only such issuers as they find proper. Operating members shall enter into a contract with each issuer to the effect that the issuer is not associated with antisocial forces.

9. Shareholders Community (2)

(6) Provision of information regarding shareholders community issues and receipt/delivery of documents

Operating members should provide investors with the necessary information on shareholders community issues in accordance with their level of involvement in the shareholders community (participation/declaration of participation in the shareholders community or otherwise; request for information or otherwise).

Furthermore, in order to receive confirmation from investors (excluding professional investors) executing OTC transactions of shareholders community issues for the first time on their understanding of risks, commissions, etc. involved and of making the investment based on their judgment and responsibility, operating members must provide advance explanations of these matters, obtain a written confirmation from each investor, and provide the investor with pre-contractual information regarding the specific security, including, at a minimum, the risks specific to that OTC transaction, and explain the content of this information.

(7) Exceptions to the prohibition on private placements and other investment solicitations for shareholders community issues

In principle, operating members are prohibited from soliciting investors who are not members of the shareholders community to invest in issues of the shareholders community, except in the following cases.

- When handling small private placements for investors who may be solicited as set out in (4) above, on the condition that they participate in the shareholders community and acquire the relevant shareholders community issues.
- When soliciting investment from company-related parties, etc. on the condition that they participate in the shareholders community and acquire the relevant shareholders community issues.
- When soliciting investments related to sales to existing shareholders

(8) Withdrawal from and dissolution of shareholders community

Operating members shall perform the withdrawal procedure when notified by a participant of the shareholders community of the participant's intention to withdraw or when there are other reasons as prescribed in the handling guidelines. If an operating member's designation is cancelled by the JSDA, the operating member must immediately dissolve all shareholders communities that it operates.

Chart XII-7. Provision of information and delivery/receipt of documents related to shareholders community issues (by operating members)



1 . For all investors: Disclosure obligation/provision of information
1) Name of issue
2) URL of issuer's website (or telephone number, if the issuer does not have a particular website)
3) Benefits for shareholders (shareholder incentives)
4) If handling an offering, private placement or secondary distribution, the fact thereof and the application period
5) When soliciting participation in OTC securities, the details of the clients from whom participation is being solicited
6) Location of the issuer's head office
7) Outline of the issuer's business office
8) Outline of the issuer's business
9) Whether or not the issuer is obliged to submit a securities report



2 . For investors who request information: Provision of information
1) Public information on the issuer
2) Unpublished information on the issuer where the issuer has consented to provide
3) Information on previous contracts



3-1. For investors who have applied to participate in a shareholders community: Obligation to provide information
1) Basic information on the issuer (business year, timing of annual general meeting of shareholders, and record date of voting rights of annual general meeting of shareholders)
2) Method of receiving information on issuers or inspecting such information

3-2. For investors participating in a shareholders community for the first time: Obligation to secure a confirmation
- note a document containing the contents of provision of pre-contractual information must be delivered and explained to the investors, and a confirmation note must be secured stating that investors understand the risks and details of the transaction and that they carry out the transaction at their own discretion and responsibility.



4 . For investors who execute transaction in shareholders community issues: Obligation to provide pre-contractual information
1) Provision of pre-contractual information
2) Convey to participants that they may request explanations on the contents of the specified documents and materials (see 5)



5 . For investors participating in a shareholders community: Obligation to provide information and make it readily accessible
1) Securities Registration Statement, Annual Securities Report, Quarterly Securities Report, Amendment Report
2) Without the above, Financial statements and business report* provided foe in the Companies Act Information conforming to "Business risks, etc." and "Overview of stock administration of the submitting company" of the Annual Securities Report and (if handling an offering, etc.) information conforming to "Securities information" of the Securities Registration Statement
3) Other information recognized as necessary by the operating member

*Non-public companies are requested to comply with the requirements that public companies are obligated under the Companies Act in preparing these documents

Table XII-9. Handling of Shareholders Community

As of December 31, 2025

	Number of operating members (companies)	Number of portfolio issues (issues)	Trading amount (¥1,000)
2015	2	11	71,149
2016	3	13	441,599
2017	3	16	551,013
2018	5	20	499,065
2019	6	19	500,798
2020	6	21	2,497,624
2021	7	29	1,182,991
2022	8	39	1,554,241
2023	9	41	1,441,147
2024	9	38	1,250,460
2025	9	40	1,327,051

(9) Special provisions related to intermediary services for delisted issues

With respect to issues that become shareholders community issues after delisting from a stock exchange, securities companies other than the operating member of the shareholders community may solicit sales to customers on the condition that they act as intermediaries, etc., for the operating member.

10. Initiatives to Revitalize the Secondary Market for Unlisted Stocks

From 2024 through 2025, amendments to the Financial Instruments and Exchange Act and revisions to self-regulatory rules concerning the "Registered PTS System" and "Special Brokerage Services for Unlisted Securities" were implemented. These initiatives were launched in response to the fact that there is no market for trading unlisted shares in Japan, and shareholders have virtually no opportunity to sell or liquidate their holdings. This has been identified as a hindrance to the growth of startups and other companies. The goal is to lower barriers to entry for brokerage services and vitalize the secondary market for unlisted shares.

Registered PTS System: The "Registered PTS System" is a system that allows operators of a private trading system (PTS) to operate by registering as a Type I Financial Instruments Business without requiring PTS authorization, provided that they only handle low-liquidity, unlisted securities and that the

Chart XII-8. Brokerage-type registered PTS

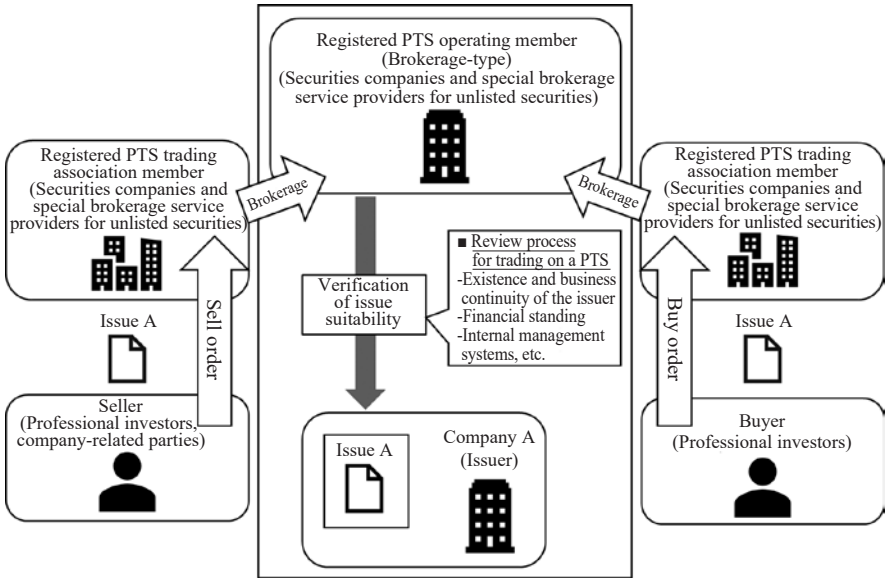
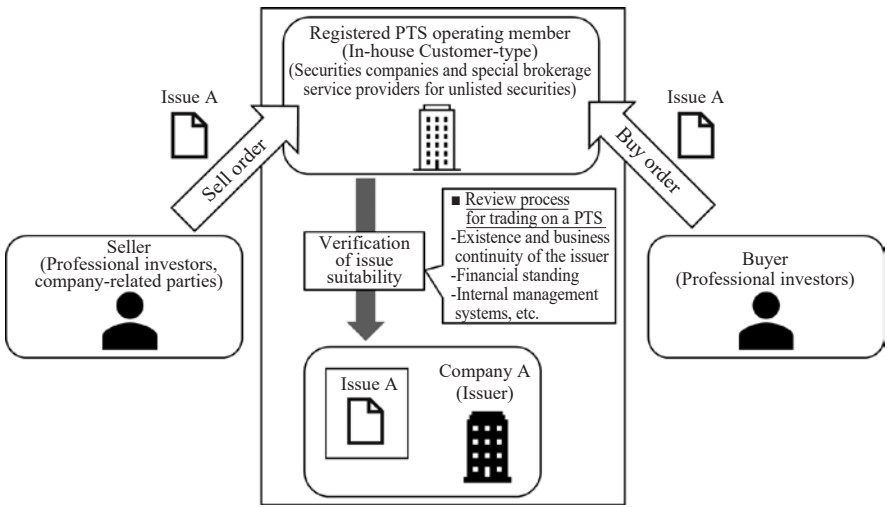


Chart XII-9. In-house Customer-type Registered PTS



trading volume is limited.

For trading unlisted shares on a registered PTS, the regulations stated above concerning trading systems for unlisted securities, such as J-Ships and shareholders communities, will apply; in addition, the "Rules Concerning Trading of Unlisted Securities on Private Trading Systems" will also apply. Two types of trading system are envisaged under the "Registered PTS System": the "intermediary model," in which orders from clients of other securities firms and similar entities are accepted, and the "proprietary client model," in which transactions are conducted solely between the firm and its own clients or among the firm's clients. Given the differences in liquidity and client base, different measures are in place regarding certain regulations, such as the disclosure of price information.

Special brokerage services for unlisted securities: "Special brokerage services for unlisted securities" are services that facilitate the trading of unlisted shares exclusively for professional investors and other eligible persons, including officers and employees of issuers, who have the ability to make investment decisions and have access to information regarding the issuer. For brokers engaged exclusively in this business (brokers specialized in unlisted securities), the registration requirements for Type I Financial Instruments Business Operators, such as minimum capital, capital adequacy ratios, restrictions on concurrent business activities, and financial instruments transaction liability reserves, are relaxed on the premise that they specialize in this business and, as a general rule, do not accept deposits of securities or cash.

These new initiatives are expected to encourage new entrants into the brokerage business, thereby vitalizing the secondary market for unlisted stocks and, ultimately stimulating the primary market through the diversification of exit strategies for unlisted shares.