

Guidelines Concerning the Trading on the Financial Accounting Date

June 20, 2008
Tokyo Stock Exchange Regulation

These guidelines are established to indicate (a) points that trading participants receiving purchase orders on a financial accounting date should pay particular attention to and (b) the types of trading behavior that Tokyo Stock Exchange Regulation ("TSE Regulation") especially monitors in investigating whether there is any potential market manipulation, etc.

Note that these guidelines are not intended to indicate an official interpretation of laws and regulations, etc.

1. The special characteristics and points to be noted with regard to transactions on financial accounting dates

The closing prices of securities, which are printed in newspapers and disclosed in other ways as well, are generally widely known information. This information is used as a basis for determining the values of stocks and other securities held as investments or collateral. In particular, closing prices at financial accounting dates have important social significance because, as standards for evaluating securities, they are reflected in the financial statements of companies.

Given these circumstances, it is possible that holders of securities could attempt to intentionally influence their prices as of financial accounting dates. This kind of behavior could be considered market manipulation. Furthermore, careless acceptance and execution of orders intended to influence prices by financial instruments firms may be considered to constitute artificial price formation, in which financial instruments firms are prohibited from engaging by laws and regulations.

It is essential, therefore, for a financial instruments firm receiving trading orders on a financial accounting date to pay strict attention to factors such as the customer's position (whether the customer has an incentive to manipulate prices as discussed above), the customer's trading activity at times other than its financial accounting date, the customer's investment purpose, the number of shares to be purchased, and the purchase price.

2. Types of trading behavior that may come under scrutiny of TSE Regulation

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Given the special nature of financial accounting dates, in investigating whether month-end purchases (*) were intended to increase or otherwise influence the valuations of securities held, TSE Regulation especially monitors the following types of trading behavior.

If purchasers engage in any of the activities given below, further examination of information including the purchaser's attribute, holdings of the subject shares, and trading activity on other days will be performed. Note that not all acts are necessarily considered legal simply because they do not fall under the following types of trading behavior.

Trading behavior	Points under scrutiny
Buy-up	Whether a party purchases shares repeatedly and continuously at a price exceeding the last execution price or quote at the end of the month or on the immediately preceding business day.
Purchase for price maintenance purposes	Whether a party purchases shares repeatedly and continuously in a manner to maintain the levels of the execution price of the immediately preceding trade at the end of the month or on the immediately preceding business day.
Price fluctuation near the close of a session	Whether purchases made during a period within 15 minutes before the close of the afternoon trading session (or a morning trading session in the case of a half-day holiday) at the end of the month have caused a price fluctuation of 3% or more from the immediately preceding trade.
Ratio of involvement by parties related to the issuer	Whether the company related party (e.g. a party related to the issuer (the issuer itself, its parent company, a subsidiary, a related company, or the officers and employees of these companies), a major shareholder, etc.) has made purchases accounting for over 25% of trading volume during a period of five business days through the last day of the month. However, with regard to issues with low liquidity, the applicable ratio shall be adjusted as appropriate.

(*) In principle, this means the last business day of each month. Some purchasers, etc., however, close their books not at the end of a month, but at some time before. These non-month-end financial accounting dates are also subject to TSE Regulation scrutiny.

3. Transactions excluded from scrutiny

(1) The following types of purchases are excluded from scrutiny of TSE Regulation.

- (i) Purchase for error correction, etc. executed pursuant to the provisions of Rule 41 of the Business Regulations of Tokyo Stock Exchange, Inc.;
- (ii) Purchase executed in ToSTNeT; and
- (iii) Purchase executed as a result of exercise of individual equity options.

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(2) The following purchases will not be subject to the investigation for potential market manipulation if it is determined by TSE Regulation that they are necessary for ensuring smooth trading of securities or that they are not based on the investment decision pertaining to any individual issues. In addition, the following purchases are not included in the calculation of the relevant ratio in "Ratio of involvement by parties related to the issuer".

- (i) Purchase executed as a result of an error committed during the execution of customer orders;
- (ii) Purchases of shares pertaining to joint purchase cumulative investment business;
- (iii) Purchase pertaining to stock mini investment;
- (iv) Purchase executed during the session for market making purposes to respond to customer orders;
- (v) Purchase executed during the auction session for position building and hedging purposes to respond to off-auction customer orders;
- (vi) Purchase to cover the short position after responding to customer orders to buy;
- (vii) Purchase as part of arbitrage transactions involving index futures transactions, etc.;
- (viii) Purchase for the purpose of hedging index futures transactions, etc.;
- (ix) Purchase for the purpose of hedging OTC derivatives transactions, etc.;
- (x) Purchase as part of arbitrage transactions involving individual equity options contracts;
- (xi) Purchase for the purpose of hedging individual equity options contracts;
- (xii) Purchase as part of arbitrage transactions involving subscription warrant securities, corporate bonds with subscription warrants, stock depositary receipts, and exchangeable corporate bonds;
- (xiii) Purchase for the purpose of hedging transactions in subscription warrant securities, corporate bonds with subscription warrants, stock depositary receipts, and exchangeable corporate bonds; and
- (xiv) Purchase pertaining to transactions in which a basket of securities consisting of 25 or more issues of the same kind is traded at the same time, if the sales proceeds or purchase consideration from the relevant issue that is included in the basket does not exceed 4% of the total proceeds of said transactions.

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