

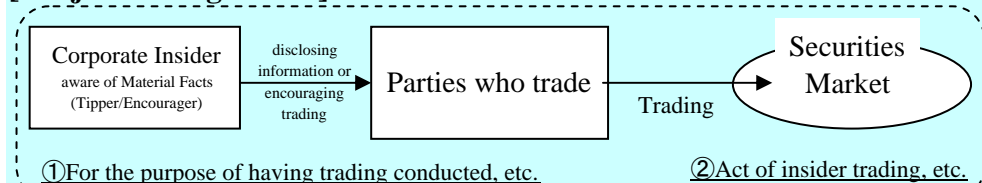
I. Regulation of disclosure of information and encouragement of trading, etc.

○Regulation of disclosure of information and encouragement of trading

[Concept]

- To prevent insider trading by tippees, how to deter improper disclosure of information is a critical issue.
- In light of the purpose of the FIEA, improper disclosure of information and encouragement of trading connected with the securities market and financial instrument transactions shall be regulated while taking care not to disrupt normal business and activities of listed companies.

[Subjects of regulation]



↑
Criminal and monetary penalties shall be imposed in cases where information has been disclosed or trading has been encouraged for the purpose of having trading conducted, etc., and where insider trading, etc., has been conducted

[Brokers of listed stocks, etc.] (Highly public role as the gatekeeper of the securities market)

⇒More effective measures to deter violations

- **Calculation method of monetary penalty** : trading commissions (e.g., three months' worth of commissions) and underwriting commissions (in the case of violations concerning distribution related to public offerings)
- **Publication of names** : From the perspective of deterring violations, the names of persons who committed violations (excluding those who played a supplementary role) shall be published as an alert

*Leaks of information not subject to the above regulation shall be restricted through the business regulation that provides for appropriate management of confidential corporate information.

○Other

- In cases where investment managers of institutional investors, etc. conduct insider trading through demanding Material Facts by taking advantage of their business positions, etc.:
- ⇒**The names of persons who played a central role shall be published as an alert.**
 (The names of persons who repeatedly committed violations shall also be published.)

II. Reform of monetary penalty against violations committed by asset managers on customers' accounts

○ In cases where asset managers conduct violations on customers' accounts

[Concept]

- Asset managers can continuously receive the same or a higher amount of management fees in the future through violations.
- Profits earned by asset managers by virtue of violations come not only from management fees regarding stocks related to the violations but from overall management fees received from customers.

⇒ **Considering the possibility of continuously receiving management fees, the monetary penalty amount shall be calculated based on overall management fees received for a certain period (e.g., three months).**

(Reference) Current calculation method of monetary penalty

$$\text{Management fee (monthly amount)} \times \frac{\text{Maximum value of the related stocks}}{\text{Total value of investment assets}}$$

III. Reform of regulation based on recent financial and corporate practices

○Expansion of the scope of persons subject to regulation concerning tender offers

○Regulatory exemption related to trading conducted by Tippees of Facts Concerning Tender Offer

○Regulatory exemption related to trading conducted between persons aware of Material Facts

○Regulatory exemption of trading based on contracts entered into and plans adopted before becoming aware of Material Facts

IV. Measures to prevent insider trading, etc.

○Measures by the FSA and the SESC

○Measures by the financial industry

○Measures by financial instruments exchanges

(Reference) Reform of regulation based on recent financial and corporate practices, etc.

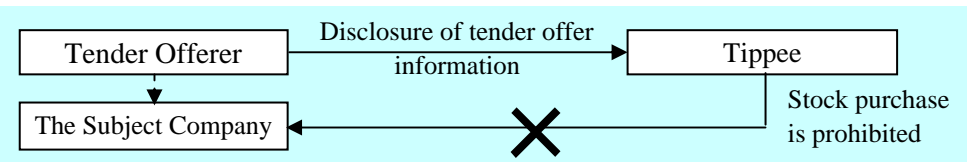
III. Reform of regulation based on recent financial and corporate practices

Expansion of the scope of persons subject to regulation concerning tender offers

⇒ Clearly provide that the Subject Company that received information from the Tender Offerer is subject to insider trading regulation

*Currently, the Subject Company is subject to insider trading regulation in cases where it has entered into a contract with the Tender Offerer, etc.

Regulatory exemption related to trading conducted by Tippees of Facts Concerning Tender Offer

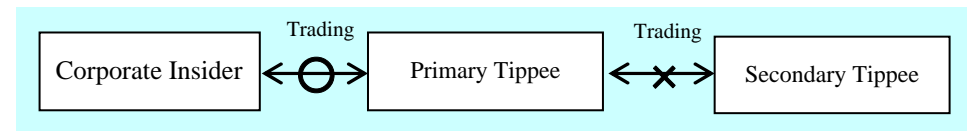


• Currently, Tippees of Facts Concerning Tender Offer are prohibited in principle from purchasing shares of the Subject Company until such facts are announced by the Tender Offerer.

⇒ Apply regulatory exemption in cases where a Tippee makes a tender offer and has described the information received in Public Notice for Commencing Tender Offer and Tender Offer Notification.

⇒ Apply regulatory exemption in cases where a certain period (e.g., six months) has passed since the Tippee last received the information.

Regulatory exemption related to trading conducted between persons aware of Material Facts



• Currently, regulatory exemption does not apply to trading conducted between primary and secondary Tippees.

⇒ Apply regulatory exemption to trading conducted between primary and secondary Tippees.

Regulatory exemption of trading based on contracts entered into and plans adopted before becoming aware of Material Facts

• Currently, regulatory exemption applies to specified transactions.

⇒ Expand the scope of regulatory exemption by comprehensively providing regulatory exemption on non-discretionary transactions, such as those whose specifics are determined in advance.

IV. Measures to prevent insider trading, etc.

Measures by the FSA and the SESC

• Compiling a more practically useful collection of monetary penalty cases

Measures by the financial industry

- Continuing to review and improve securities companies' systems for managing confidential corporate information
- Revising the JSDA's self-regulatory rules and strengthening enforcement

Measures by financial instruments exchanges

- Providing information to and issuing alerts to listed companies to which persons who improperly disclosed information belong
- Making efforts to ensure appropriate disclosure in cases where a confidential matter has been reported by the mass media