

## JAPAN ANNEX

### Application

This Annex applies where the Market(s) include any exchange in Japan.

### Applicable terms

#### **1. Client confirmation**

The Client confirms that it falls within the definition of “professional investors (*tokutei toshika*)” under the Financial Instruments and Exchange Act of Japan (“FIEA”).

#### **2. Short selling restrictions**

The following is a high level summary of the Japanese short selling restrictions with which the Client agrees to comply. The Client further agrees to keep itself informed of any updates to these restrictions during the term of its access to and/or use of the Electronic Services, to comply with such updates and to seek all necessary independent advice.

##### **(a) Definition of short Selling**

The FIEA defines short selling as “making the sale of, or the placement of an order for the sale of, Securities (i) without owning such Securities, (ii) by borrowing such Securities, or (iii) in cases where it is not evident whether Securities in the relevant seller’s possession (excluding borrowed Securities) can be delivered after the sale of the same without delay.

##### **(b) Prohibition on naked short selling**

Where a member of an exchange in Japan (“**Japanese Broker**”) accepts any order to short sell listed Securities from its Client, such member must check whether the Client has taken measures to ensure the definite delivery of the Securities, such as the execution of a securities lending agreement. The Client shall disclose to the Japanese Broker that it has taken such measures in respect of the relevant short selling. If the Japanese Broker is not confident that such measures have been taken by the Client, the Japanese Broker shall not execute the relevant short sale.

##### **(c) Notification and confirmation requirement**

The Client must notify BNP Asia or the Japanese Broker that executes a sale order on behalf or for the account of the Client as to whether or not a sale by a given order is a short sale.

BNP Asia or the Japanese Broker that executes a sale order on behalf or for the account of the Client must confirm with the Client whether or not a sale by a given order is a short sale.

The Japanese Broker must notify the exchange whether or not any sales by orders that they are executing on behalf of the Client are short sales pursuant to the notification received from the Client.

##### **(d) Uptick Rule**

In the case of short selling, (x) if the prices for certain Securities show an upward trend, according to the two most recently announced prices by the stock exchange prior to the short selling order, the Client may sell the Securities at a price equal to or more than the last announced price (that is, the Securities cannot be sold at a price lower than the most recently announced price), but conversely, (y) if the price of the Securities is on a downward trend, according to the two most recently announced prices, the Client shall not sell the Securities at a price equal to or lower than the last announced price (that is, the Securities can only be sold at a price more than the most recently announced price). This rule is applied to the following cases:

- (i) where, at any time during the period from the commencement of trade to the execution of the short sale of the relevant Securities, any price for the Securities is equal to or lower than 90% of the Marker Price (defined below) of the immediately preceding trading day for those Securities announced by the relevant exchange in Japan; or
- (ii) where, on the Main Market (defined below) for the relevant Securities, on the trading day immediately preceding the day of the execution of the short sale for the Securities, any price for the Securities is equal to

or lower than 90% of the Marker Price of the immediately preceding trading day for those Securities announced by the Main Exchange (defined below).

**"Market Price"** means the price which is determined by an exchange in Japan for the Securities pursuant to its rules based on the Securities' closing price and indication price at the end of trading on the relevant day.

**"Main Market"** means the market in Japan with the highest trading volume (through trading sessions provided for pursuant to the rules of exchanges) for the Securities subject to the short sale during the most recent six months, as calculated at the end of the month immediately preceding the relevant trade occurring. If such Main Market does not exist (such as in the case of an IPO), the Main Market will be the market in Japan with the highest trading volume (through trading sessions provided for pursuant to the rules of exchanges) for Securities other than those subject to the short sale during the most recent six months, as calculated at the end of the month immediately preceding the relevant trade occurring.

**"Main Exchange"** is the exchange in Japan which operates or manages the Main Market.

**(e) Reporting and Disclosure Obligation**

The Client shall provide certain information regarding the short selling to the relevant exchange in Japan through Japanese Broker, in the case where:

- (i) the Ratio of Short Position (defined below) becomes 0.2% or more and the Number of Short Position Trading Units (defined below) becomes more than 50, following the short selling;
- (ii) there is any change in the number of the one-tenth unit of the Ratio of Short Position from the previously reported ratio (only if the Ratio of Short Position remains 0.2% or more and the Number of Short Position Trading Units remains more than 50); or
- (iii) the Ratio of Short Position falls below 0.2% or the Number of Short Position Trading Units becomes 50 or less.

**"Ratio of Short Position"** means, for any given date, the ratio of the number of relevant shares in the short position against the number of outstanding shares of the issuer as of that date.

**"Number of Short Position Trading Units"** means, for any given date, the number of shares in short position divided by the number of shares in a trading unit of the shares on the relevant stock exchange.

In addition, the relevant stock exchange shall disclose information regarding the short selling where:

- (A) the Ratio of Short Position becomes 0.5% or more; or
- (B) the Ratio of Short Position has moved from a number of 0.5% or more to less than 0.5%, and the Number of Short Position Trading Units is 50 or less.

**(f) Unlawful activity**

In connection with the public offering of Securities, any person who undertakes a short sale, or asks BNP Asia or Japanese Broker to execute a short sale of Securities on the relevant exchange market within a certain period from disclosure of such public offering to the time when the offering price is determined, which period is specifically defined in the relevant Cabinet Office Ordinance, is, in principle, prohibited from making settlement of the borrowed Securities related to such short selling using the Securities acquired by such person through the public offering.