

Basic Policy Governing Allocation to Customers of Subscription-Related  
Equities and Others

Effective: November 1, 1999

(Final amendment: July 1, 2006)

KBC Securities Co., Tokyo Branch

(1) In allocation to customers of stock certificates and others related to subscriptions, distribution handling or distributions (hereinafter "subscription securities"), this Branch conducts underwriting that addresses customers' diversified fund procurement needs, at the same time accurately ascertains customers' diversified investment needs and provides appropriate and diverse products while responding to market mechanisms.

(2) When allocating stock and others, in order to reflect customer demand in fair price determination, the Branch's basic policy is to strive to ascertain customer demand in advance, conduct appropriate subscriptions and work toward fair and impartial allocations.

(3) In principle, (subject to limited exceptions) the Branch does not deal with individual investors.

(4) Following the methods below, the Branch allocates subscription-related stock certificates and others to customers.

1. New public offering stock

In order to provide fair allocation opportunities, allocation to customers of new public offering stock shall take precise account of customer needs, and allocation carried out centering on customer applications consonant with the following criteria.

Because the Branch in principle (subject to limited exceptions) does not deal with individual investors, it does not allocate new public offering stock by lottery.

((1)) Standard related to the principle of fitness

When new public offering stock is applied for, the Company's allocation priority goes to existing dealing customers or those for which funds are held in safekeeping custody. Therefore, new account opening for the sole purpose to receive the allocation of new public offering stock will not be accepted.

((2)) Standard related to exclusion of short term trading

Attaching importance to the distinctive characteristics of new public offering stock, the Company makes allocations centering on customers that are long term stable holders. With this in mind, allocation to customers that have in the past soon sold their allocations is smaller than that to long term stable holders. There maybe inquiry to confirm the clients' intention to hold the issue. Customers' understanding of this is requested.

((3)) Standard related to appropriate participation in book building

In its allocation of new public offering stock, the Company prioritizes allocation to customers that confirm appropriate contributions to book building and make appropriate demand declarations. For this purpose the Company investigates demand in past new public offerings, and confirms whether or not a customer's application and demand declaration were appropriate. An appropriate demand declaration is one that is made taking into account the situation of each individual issue.

## 2. Other than new public offering stock

In regard to allocation of new public offering securities other than stock certificates and of already public stock and others, taking proper account of customer needs allocation is made centering on applications by customers meeting the above standards.

(5) The Branch sets the following standard in order to avoid excessive allocation concentration and unfair allocation.

- The allocation method is in principle per customer. Taking account of demand participation and ((1)), ((2)) and ((3)) above, allocation is conducted proportionate to the number of applications.
- This upper limit may be changed in consideration of the average allocation volume.

(6) Allocation recipients are determined from among customers that declare demand in book building or, book building aside, customers that apply for allocations. But in the event that the volume of customer declarations or applications falls short of the Branch's expected allocation quantity, allocation may be made to customers that have made no declarations or applications as a result of solicitation taking account of their dealing situation with the Branch.

(7) Demand declarations and allocation applications are receivable at meetings at the dealing branch, by telephone, fax and e-mail.

(8) Demand declaration acceptance periods, acceptance methods, provisional terms and other specific book building points in each new public offering deal are entered in the securities report and prospectus prepared by the issuing company. Additional information on these and other Branch allocation matters is made known over the counter during the time from the start of a deal's book building to the end of the application period.

(9) In individual cases, when book building or allocation is carried out with policies differing from the above, the reasons for the changes are made known in conjunction with (8).

(10) The Branch does not allocate stock and others for the purpose of compensating customers for losses or augmenting customer profits. Compliance with the Securities Exchange Law and the rules of self-regulating organizations prohibits allocation (1) specified by issuers, (2) to the Branch's officers and employees, (3) giving special advantages to the Branch and other conduct giving rise to social unfairness, (4) to organized crime figures and related persons, so-called *sokaiya* and other anti-social elements, and (5) excessively concentrated in one customer, as well as allocation of new public offering stock conditional on purchase of other products, and other unfair allocation. Proper allocation is clearly written in internal regulations to be complied with. Demand declarations and allocation applications from customers to which it has become clear that the foregoing apply shall not be accepted.



(11) Based on the foregoing allocation basic policy, the Branch's mission is to contribute to development of the securities markets through equitable allocation.

Addendum

This policy takes effect on November 1, 1999.

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