

Best Execution Policy (For corporate customers who have transactions with the Execution Services Department)

SMBC Nikko Securities Inc.

This Best Execution Policy sets forth our policy and other matters to execute transactions on the best terms and conditions for our customers in accordance with the provisions of Article 40-2, paragraph (1) of the Financial Instruments and Exchange Act.

When we accept an order from a customer for any of the securities 1. below, we will endeavor to execute the order on the best trading terms and conditions for the customer in accordance with the following methods and policies.

[Definition of terms]

- “Primary market” refers to the primary market that SMBC Nikko Securities Inc. (“SMBC Nikko”) selects from the perspective of liquidity. For inquiries about the primary market selected by SMBC Nikko for each issue, contact the person in charge of inquiries.
- “PTS” means a proprietary trading system as defined in Article 26-2-2, paragraph (7) of the Order for Enforcement of the Financial Instruments and Exchange Act.
- "Dark Pool" refers to an internal trading system stipulated in Article 70-2, paragraph (7) of the Cabinet Office Ordinance on Financial Instruments Business, etc. which is a mechanism to directly match customers' orders within SMBC Nikko and conclude a contract in the off-floor trading system of the Tokyo Stock Exchange (ToSTNeT). In SMBC Nikko, Dark Pool is available only for domestic stocks excluding preferred stocks and class stocks, domestic investment trust beneficiary certificates, and investment securities. Trading of issues that may incur less than ¥1 in trading proceeds are excluded.
- “Trading venues” refers collectively to financial instruments exchanges, PTSs, and the Dark Pool.
- “Direct order” refers to an order from a customer whose entire quantity is executed in a trading venue, such as a market or limit order.
- “SOR” stands for "Smart Order Routing" and refers to a system that compares quotes on multiple trading venues and controls the routing of trading orders to obtain the best execution price.
- "Latency arbitrage" refers to an investment strategy or action to take advantage of the difference in arrival times of orders sent to multiple trading venues by SOR to obtain a quote and execution information at the trading venue that arrives first using high-speed

communication facilities, and using this information to trade ahead at other trading venues in an attempt to earn a profit.

- "IOC" stands for "Immediate Or Cancel" and refers to a conditional order method whereby a portion or all of the quantity of an order is executed at a specified price (or at a favorable price) and any unexecuted order quantity is immediately cancelled.

1. Applicable securities

Stocks, corporate bonds with stock acquisition rights, ETFs, REITs, and other securities listed on financial instruments exchanges in Japan, which are "Listed Share Certificates, etc." as defined in Article 16-6, paragraph (1), item (i) (a) of the Order for Enforcement of the Financial Instruments and Exchange Act. SMBC Nikko does not accept orders for "Tradable Securities", as defined in Article 67-18, item (iv) of the Financial Instruments and Exchange Act, in principle.

2. Methods to execute on the best trading terms

Unless otherwise instructed by a customer, brokerage orders for the sale and purchase of listed shares and other equivalent securities received from the customer will be executed in the following methods:

- (1) Of the trading orders for listed share certificates, etc. and other equivalent securities for which the Tokyo Stock Exchange is the primary market, all direct orders with opening or closing conditions, direct orders received outside the daily trading session hours, and the portion of discretionary orders to be executed at the opening or closing of the trading session will be executed on the Tokyo Stock Exchange after the acceptance of orders for the trading session starts at the Exchange.
- (2) Of the trading orders for listed shares and other equivalent securities for which the Tokyo Stock Exchange is the primary market, direct orders received during the daily trading session hours without any opening or closing conditions, and the portion of discretionary orders to be executed during the trading session hours will be executed using SOR. When SOR is being utilized, we will first attempt to match in our Dark Pool, execute the matched quantity, if any, on the ToSTNeT market of the Tokyo Stock Exchange, and then execute the remaining unmatched quantity simultaneously on other trading venues. However, if a special quote or continuous execution quote is displayed for the issue in question, or if an order is received immediately before the close of trading, the entire quantity will be executed on the primary market.

SOR can target the following types of trading venues when seeking to get the best execution: the Dark Pool of SMBC Nikko, all financial instruments exchanges, and PTSs.

However, SOR will not target a trading venue if that trading venue does not handle the applicable issues.

Following PTS venues can be targeted by the SOR:

- J-Market operated by Japannext Co., Ltd. (“Japannext”)
- Cboe Alpha operated by Cboe Japan Limited
- ODX PTS operated by Osaka Digital Exchange Co., Ltd. (“ODX”)

If the best quote price among the various trading venues is the same, the order of priority of brokerage will be the Dark Pool first, followed by the financial instruments exchange which is the primary market, then the financial instruments exchanges that are non-primary markets, and finally PTSs. As a general rule, the order of priority for PTSs is not fixed but determined based on the quote size at that price level in those PTSs.

When orders are executed using SOR, orders are split and routed to the respective trading venues simultaneously, and all brokerage to PTSs is conducted with IOC orders.

- (3) For listed shares and other equivalent securities for which the Tokyo Stock Exchange is not the primary market, orders will be executed on the financial instruments exchange that is the primary market.

3. Reasons to choose these methods

We believe that the best trading conditions for our customers are determined by comprehensively considering various factors such as cost, speed, and execution probability in addition to price.

For the orders specified in 2.(1) above, we cannot compare the best execution price between the Tokyo Stock Exchange, which is the primary market, and other trading venues. Accordingly, we will execute all orders on the Tokyo Stock Exchange, which is considered to have the highest liquidity, after the order acceptance for the trading session starts.

With regard to the orders specified in 2.(2) above, we believe that execution using SOR is likely to produce favorable results for our customers in terms of price and execution probability because

listed shares and other equivalent securities whose primary market is the Tokyo Stock Exchange are considered to have relatively high liquidity.

Of the three PTSs on which we execute orders using SOR, we have added Cboe Alpha operated by Cboe Japan Limited, as a trading venue because we expect that increasing the choice of trading venues will result in more favorable terms and a higher probability of execution.

ODX has a capital relationship with us as Sumitomo Mitsui Financial Group, Inc., our parent company, invests in ODX. As for the relationship with Japannext whose main shareholder is SBI Holdings, Sumitomo Mitsui Financial Group, Inc. invests in SBI Holdings. We have added PTSs operated by these firms as trading venues because we expect that increasing the choice of trading venues should increase the likelihood that orders will be executed on favorable terms, thereby increasing the opportunity to provide our clients with the best execution results. SMBC Nikko treats PTSs operated by these firms in the same manner as other PTSs.

The reason for adding our Dark Pool as a trading venue is that it may offer better prices compared to the Tokyo Stock Exchange while simultaneously reduce market impact.

The reason we prioritize the use of our Dark Pool over other venues when we execute orders using SOR or broker orders when the same best prices are quoted in multiple trading venues is because the quotes from the Dark Pool are not published, which reduces market impact. The priority order for other trading venues will be determined based on the probability of execution.

The reason for splitting the order and placing it simultaneously to trading venues (except the Dark Pool) and for adopting IOC is that we believe using these methods to place orders can reduce potential latency arbitrage.

For the orders specified in 2.(3) above, since liquidity is considered relatively low for listed stocks and other equivalent securities for which the Tokyo Securities Exchange is not the primary market, we believe it is effective to emphasize speed by executing orders only on the primary market where liquidity is most concentrated.

4. Others

- (1) The transactions below shall be executed by the following methods, irrespective of the methods listed in 2.

- (i) Trading of shares less than one trading unit (excluding trading to respond to requests for selling such shares to the issuing company and requests for purchasing additional shares to reach a whole trading unit)

Since the methods listed in 2. above cannot be used, SMBC Nikko will become the counterparty of the transaction and directly execute the transaction.

- (ii) Transactions pertaining to the execution of margin trading

Due to the system limitations, we will execute these orders by brokering them on the primary market.

- (2) In the event of a problem with financial instruments exchanges, telecommunications line operators, or our system, SMBC Nikko may execute orders by a method different from the method that would normally be chosen in accordance with this Best Execution Policy.

Best execution is an obligation to execute orders with the best terms and conditions, not only in terms of price but also considering various other factors such as cost, speed, and executability. Therefore, if a trading order is executed under terms that focus not only on price and the result of the transaction is not the best price, it does not necessarily constitute a breach of the obligation of best execution.

Established January 1, 2024

This policy is made in Japanese and translated into English. The Japanese text is the original and the English text is for reference purposes.