

Best Execution Policy

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

When we receive orders from our clients to trade securities listed on financial instruments exchange markets in Japan, we will endeavor to execute such orders in accordance with the policy below unless we receive any other specific instructions from the client.

(Clients who have trade with a branch office)

1. Subject Securities

“Listed share certificates, etc.” as defined in Article 16-6 of the Order for Enforcement of the Financial Instruments and Exchange Act, including stock certificates, corporate bond certificates with share options, ETFs, and REITs listed on a financial instruments exchange market in Japan

We do not deal in “tradable securities” as defined in Article 67-18, item 4 of the Financial Instruments and Exchange Act, including stock certificates and corporate bond certificates with share options under the Phoenix Issue system.

2. Methods for Executing Trades on Best Terms and Conditions

As the conditions for the best execution, we primarily take into consideration matters that benefit our clients, except for the “execution at the most favorable price.”

Accordingly, unless specific instructions are given by a client concerning the order execution, we will place all orders for the listed share certificates, etc. on behalf of clients on a financial instrument exchange market, and will not deal in off-exchange trades, including agency trades on a PTS (Proprietary Trading System).

- (i) When we receive an agency order from a client, we will promptly place it on behalf of the client on a financial instruments exchange market. When an agency order is received outside of the exchange market’s trading hours, we will place it on the financial instruments exchange market after trading reopens on that market.
- (ii) For the purpose of (i) above, we will place agency orders on a financial instruments exchange market in the following manner:
 - (a) If the relevant securities are listed only on a single exchange (single listing), then the agency order will be placed on that financial instruments exchange market;
 - (b) If the relevant securities are listed on multiple financial instruments exchange markets (multiple listing), we will place the order on behalf of the client on the financial instruments exchange market that displays the stock price information first when the relevant security code is entered into QUICK Corp’s terminal at the time of execution. Such exchange market is selected for the reason of the largest trading volume within a certain period of time, which is determined based on the computation method

prescribed by QUICK Corp. With regard to issues that have been listed on multiple financial instruments exchange markets (multiple listing) since the initial listing, the exchange market is selected according to the market ranking designated beforehand by Quick Corp. If inquired by a client, we will inform the client of the specific details.

- (c) Buy orders for foreign securities, etc. listed on a domestic exchange market are placed on the domestic exchange market. Sell orders for foreign securities, etc. listed on a domestic exchange market are placed on: i) a domestic financial instruments exchange market if the issue is kept by a domestic clearing company by way of commingled custody; or ii) a foreign financial instruments exchange market if the issue is kept by our overseas custodian by way of the same.
- (d) Orders for which an expiration date is designated are executed on the exchange market selected at the time of receiving the order, within the time frame prior to the expiration date. Clients who want to confirm or change the execution market are asked to contact the branch with which they have trade.
- (e) We execute a reversing transaction to close standardized margin position on the exchange market where the margin position has been opened.

3. Reasons for Choosing These Methods

Compared to off-exchange markets, financial instruments exchange markets are considered to be superior in terms of liquidity, the possibility of a trade being executed, and the speed of trade execution, as investors' demand is concentrated in these markets. Accordingly, trading on financial instruments exchange markets is generally regarded as most reasonable for clients. Furthermore, if securities are traded on more than one financial instruments exchange market, it is regarded as most reasonable for clients to place an order on the most liquid market.

We consider that we can achieve the best execution for our clients when we place a higher priority on the price, by comparing best quotes from multiple financial instruments exchange markets, including PTSs.

Employing such execution practices will require us to implement IT system development, which, as a result of our internal research, was found to be highly likely to lead to an increase in fees to be paid by our clients.

After careful examination of the costs associated with the system development, we decided that it is most reasonable not to engage in off-exchange trades, including agency trades on PTSs, but to place clients' orders on domestic financial instruments exchange markets, for the reason that we consider that increasing fees, etc. will have a greater impact on clients than improving prices by comparing best quotes from multiple financial instruments exchange markets.

4. Others

- (1) In the following cases, notwithstanding the methods provided for in 2. above, the order will be executed in the manner specified for respective cases:
 - (a) In cases where the client has given a specific instruction on the execution of the order (such as designation of us to be the direct counterparty of the trade, designation of the financial instruments exchange market on which the trade is executed, or designation of

certain trading hours), the execution method instructed by the client (only when the execution method is feasible for us);

- (b) In cases where a trade is executed under a discretionary investment contract or similar agreement, the method we select within the scope delegated by the client based on the contract or similar agreement;
 - (c) In cases of a trade under a cumulative investment program or other trade for which the execution method is specified by the trade terms and conditions, etc., the said execution method; and
 - (d) In cases where shares less than one unit are traded, the method using which the order is placed on behalf of the client on the financial instruments business operator who trades the shares; provided, however, that if the client wants to request the issuer to buy back the shares, we will place a buyback order on the issuer.
- (2) In the event of a failure of our trading system or systems through which we place agency orders on financial instruments exchange markets or over-the-counter markets, we will find difficulties in using the execution methods described under 2. above and therefore may use methods different therefrom; provided, however, that even in such cases, we will strive to execute the order with the best terms and conditions available at the time.

(Clients who have trade with the Global Markets Business Unit*)

- * If any change is made in the future to the above Unit due to reorganization or for other reasons, such change will be notified by posting the information on our website (<https://www.sc.mufg.jp> or <https://www.mumss.com>).

1. Subject Securities

“Listed Share Certificates, etc.” listed on financial instruments exchange markets in Japan

In principle, however, we do not deal in “Listed Share Certificates, etc.” listed on "specified financial instruments exchange markets" (what is called the markets for professional investors such as Tokyo PRO Market, etc.) as defined in Article 117-2 of the Financial Instruments and Exchange Act, and “tradable securities” as defined in Article 67-18, item 4 of the Financial Instruments and Exchange Act, including stock certificates and corporate bond certificates with share options under the Phoenix Issue system.

2. Methods for Executing Trades on Best Terms and Conditions

We first define as follows the terms used in the description hereunder:

- The term “algorithmic order” refers to an order generated using a system program that generates orders while determining the order quantity, price, and timing according to the trading strategy selected by the ordering party.
- The term “straight order” refers to a type of order that is placed for its entire volume on a financial instruments exchange market, etc. upon the receipt thereof from a client. These orders include those that are placed on a financial instruments exchange market, etc. via SOR, after the volume is split through SOR.
- The term “dark pool” refers to the “intra-company trading system” as defined in Article 70-2, paragraph 7 of the Cabinet Office Order for Financial Instruments Business (meaning a system under which the financial instruments business operators, registered financial institutions, or any other persons determine the price of the purchase and sale of securities or market derivatives transactions or other transaction conditions or conduct similar acts by using electronic data processing systems with many persons as the other party or each party simultaneously, and transmit the orders whose transaction conditions have been determined to an off-floor market of a financial instruments exchange market for their execution)
- The term “latency arbitrage” refers to a trading strategy that takes advantage of fluctuations associated with market prices in financial instruments markets, disparities between markets, etc. caused by differences in the time required for the execution of orders as defined in Article 124, paragraph 2, item 1 (c) of the Cabinet Office Order on Financial Instruments Business.

- The term “primary market” refers to the financial instruments exchange market on which the issue ordered by a client is listed if the issue is listed only on a single market. If the relevant issue is listed on multiple financial instruments exchange markets (multiple listing), the financial instruments exchange market that displays the stock price information first when the relevant security code is entered into QUICK Corp’s terminal at the time of execution. (Such exchange market is selected for the reason of the largest trading volume of the issue within a certain period of time, which is determined based on a computation method prescribed by QUICK Corp. With regard to issues that have been listed on multiple financial instruments exchange markets (multiple listing) since the initial listing, the exchange market is selected according to the market ranking designated beforehand by Quick Corp. If inquired by a client, we will inform the client of the specific details.)
- The term “financial instruments exchange market” refers to a market established by a financial instruments exchange.
- The term “financial instruments exchange markets, etc.” collectively refers to “financial instruments exchange markets,” “PTSs,” and “dark pools”.
- The term “trading strategy” refers to a strategy that outlines the objective of a trade (e.g., to reduce the execution impact of a large order or to execute a single issue at a price close to the volume weighted average price (VWAP) of the market) and the trading methodology employed to achieve that objective.
- The term “IOC” is an abbreviation for Immediate or Cancel order, and refers to an order method whereby a market order or a limit order is executed immediately in whole or in part at the specified price or at a better price, and any unexecuted order is automatically cancelled.
- The term “MDX” refers to the dark pool operated by the Company. (The Tokyo Stock Exchange’s ToSTNeT market is the off-floor market of the financial instruments exchange market where MDX transmits and executes agency orders whose conditions have been determined.)
- The term “SOR” refers to a method of automatically selecting a financial instruments exchange market, etc. for execution at the most favorable price from among multiple financial instruments exchange markets, etc. as defined in the main body of Article 124, paragraph 2, item 1 of the Cabinet Office Order on Financial Instruments Business, by means of an electronic data processing system, and the electronic data processing system itself.

(1) Issues subject to SOR

Our Global Markets Business Unit offers the SOR functions to place agency orders for listed share securities, etc.

Securities subject to our SOR include share certificates listed on the Tokyo Stock Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, and Sapporo Securities Exchange (excluding corporate bond certificates with share options, share option certificates, investment equity subscription rights certificates, and securities issued by foreign corporations such as foreign share certificates; the same shall apply hereinafter). We do not accept orders for agency trades on

margin via MDX, for the reason that executing margin orders on behalf of clients via a dark pool is prohibited by the Tokyo Stock Exchange under its Business Regulations and Brokerage Agreement Standards Concerning ToSTNeT Market. We also do not accept orders for agency trades on margin via PTS. Accordingly, clients are not entitled to use the SOR functions so as to place agency orders on margin even if the issue is subject to SOR.

Our SOR monitors the following financial instruments exchange markets, etc. to obtain quotes and place orders: the Tokyo Stock Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, auction markets established by the Sapporo Securities Exchange, J-Market (a PTS operated by Japannext Co., Ltd.), and MDX. These markets are monitored only when the issues associated with agency orders from clients are listed or traded thereon. The scope of monitoring is limited to the financial instruments exchange markets, etc., that are selected in advance by the client at the time of order placement as the markets on which the order can be placed.

Furthermore, SOR functions on condition that there are comparable intra-day prices quoted in multiple financial instruments exchange markets, etc., including the primary market. (This condition will not be met even if there are comparable intra-day prices quoted on multiple financial instruments exchange markets, etc. if the primary market is out of trading hours.) When the conditions for the functioning of SOR are not met, or when the client does not prefer to use SOR, we will place the order on the primary market (or using the method selected by the client in advance or upon the placement of order).

Upon the receipt of an order, our SOR generates a hypothetical order book in the system by obtaining prices quoted on the relevant financial instruments exchange markets, etc. Then, by referring to the order book, our SOR identifies the market that shows a favorable price among bids or offers, and places an order on the market to explore execution opportunities.

Our SOR determines the favorable price from the quotes of respective financial instruments exchange markets, etc. once at the time of order placement, and places IOC orders at the same time on the respective markets (hereinafter referred to as the "Sweep").

If part of a Sweep order remains unexecuted, the remaining volume of the order will be placed on the primary market (hereinafter referred to as the "Reflect"). In the following cases, orders are placed through the Reflect rather than the Sweep: 1) The primary market is outside the trading hours; 2) A special quote is posted; or 3) The order is subject to execution conditions such as "on close," "on open," and "funari."

In cases where the order volume (number of shares) is reduced, the Sweep will not be performed, while other revisions are made to an order, the Sweep is performed once.

When the quoted prices are equal, the markets are selected in the following descending order: MDX, Tokyo Stock Exchange, PTS, and Financial Instruments Exchange Markets other than the Tokyo Stock Exchange (Fukuoka Stock Exchange, Nagoya Stock Exchange, and Sapporo Securities Exchange).

(Markets that are not selected by the client will be omitted from the selection). If multiple PTSs or financial instruments exchange markets other than the Tokyo Stock Exchange offer equal quotes and have the same priority, the market with the largest volume will be selected.

As a measure to avoid being exposed to latency arbitrageurs, our SOR will split agency orders received from clients and place them simultaneously as IOC orders on respective financial instruments exchange markets, etc. This measure is intended to reduce the risk of orders becoming known to other market participants by placing them as IOC orders, as well as the risk of orders being anticipated by latency arbitrageurs by placing split orders simultaneously. Our MDX only deals in agency orders received from professional investors who are corporations, trusts, investment limited partnerships, or other similar partnerships.

(2) Issues not subject to SOR

We will place orders for the following securities on the primary market (or by the method selected by the client in advance or at the time of order placement): a) share certificates, etc. listed solely on the Fukuoka Stock Exchange, Nagoya Stock Exchange, or Sapporo Securities Exchange; b) share certificates, etc. listed on the Tokyo Stock Exchange but not listed or traded on other financial instruments exchange markets, etc.; c) corporate bond certificates with share options, share option certificates, investment equity subscription rights certificates, and securities issued by foreign corporations such as foreign share certificates, etc.

We will place margin orders received from clients for issues subject to SOR on the primary market (or a financial instruments exchange market selected by the client in advance or upon the placement of order).

3. Reasons for Selecting These Methods

(1) Issues subject to SOR

Our Global Markets Business Unit believes that our clients place a high priority not only on the price but on the market impact of their agency orders and a reduction of execution costs arising from the impact.

The reason for selecting our MDX as the financial instruments exchange market, etc. to which we compare prices in our SOR system is that we consider it is reasonable to avoid reflecting agency order information in the quote information as much as possible. Furthermore, the reason for selecting other financial instruments exchange markets, etc. is that we consider that it is reasonable to forward orders after comparing quotes on multiple financial instruments exchange markets, etc. with sufficient liquidity.

The reason for placing an order on the primary market by means of the Reflect when only part of an order placed using the Sweep is executed is that we consider that it is reasonable to place the remaining volume on the financial instruments exchange market, etc. with the highest liquidity, for the purpose of reducing market impact as well as increasing the execution possibility.

The reason for placing priority on MDX when multiple markets offer equal quotes is that we consider that it is reasonable not to reflect the agency order information in the quote information as much as possible so as to reduce the market impact. When setting priority on other financial instruments exchange markets, etc., we take into consideration the liquidity of the market as a whole as well as the liquidity on the day of the trade.

Furthermore, we consider that it is possible to avoid being exposed to latency arbitrageurs by placing split orders simultaneously on multiple financial instruments exchange markets, etc. with sufficient liquidity, given that a latency arbitrage opportunity arises when respective agency orders arrive at each financial instruments exchange markets, etc. at different timings.

(2) Issues not subject to SOR

Given that issues not subject to SOR may not have sufficient liquidity, we consider that it is reasonable to place orders on the primary market or by the method selected by the client in advance or upon the order placement, with the aim of prioritizing the execution possibility.

4. Others

(1) Types of trades to be executed without using the methods listed in 2. above

In the following cases, notwithstanding the methods provided for in 2. above, an order will be executed in the manner specified for respective cases:

(a) Trades for which the client selects, in advance or upon placement of each order, to execute the order using a method other than those described in 2. above.

The execution method specified by the client in advance or upon placement of each order (provided that it is possible for us to execute the order)

(b) Trading of shares less than one unit

In cases where shares less than one unit are traded, the method using which the order is placed on behalf of the client on another financial instruments business operator who deals with the shares; provided, however, that if the client wants to request the issuer to buy back the shares, we will place a buyback order on the issuer.

(2) Response to system failures, etc.

When an order cannot be placed on the primary market or quote information cannot be obtained from the primary market due to a system failure of the primary market, telecommunications carriers, or the Company.

We will temporarily suspend the offering of our SOR and MDX as we will not be able to place orders on the primary market for stocks subject to SOR or obtain standard quote information. For the same reason, we will also temporarily suspend the offering of the algorithm for algorithmic orders to be placed on the primary market. Furthermore, due to the unavailability of these functions, we will temporarily suspend the acceptance of at-or-better orders. We will deal in off-floor and negotiated trades between clients and our proprietary account (off-exchange trades) within a very limited scope or will suspend the dealing of them temporarily, for the reason that our proprietary account may

not be able to execute orders on the primary market in a normal way and provide adequate hedging. We will be able to trade straight orders only, and may place them using an emergency backup system. Under such circumstances, we will have a limited execution capacity, and as a result, trading of straight orders may be suspended temporarily. Taking all of these circumstances into consideration, we may temporarily suspend accepting any orders from clients.

Due to a system failure of a financial instruments exchange market other than the primary market, a PTS, a telecommunications carrier, or the Company, we cannot place orders on, or cannot obtain the quote information from, a specific financial instruments exchange market, etc. (excluding the primary market; hereinafter the same shall apply)

For the reason that we will be able to obtain the quote information from the primary market and other financial instruments exchange markets, etc., and that we can place orders on such financial instruments exchange markets, etc., we will continue to offer SOR, MDX, and order algorithms by excluding the financial instruments exchange market, etc. affected by the failure from the scope of marketplaces to place orders. We will also continue to receive straight orders, at-or-better orders, and off-auction and negotiated orders between a client and our proprietary account (off-exchange trades).

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