

Special Notes:

(Translation)

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Japan Racing Horse Association Horse Market Operating Regulations

Chapter 1. General Provisions

Article 1 Compliance with Regulations

Any party involved in any transaction(s) at the horse market including all sellers and buyers of horses and other participants shall comply with the Horse Market Operating Regulations (“these Regulations”) herein provided for the fair and smooth operation of the market. In these Regulations, Seller shall mean an applicant for sale or an actual seller at the Market, as the case may be.

Article 2. Location of the Horse Market

1. The Japan Racing Horse Association (hereinafter the “Auction Holder” or the “Association” as the case may be) shall hold the horse market (hereinafter the “Market”) at Northern Horse Park, 114-7 Misawa, Tomakomai-shi, Hokkaido.
2. The Auction Holder’s offices shall be at the following addresses, and its office shall be established at the Market premises during the duration of the Market.

Tokyo Office: Azabudai Building, 2-2-1 Azabudai, Minato-ku, Tokyo

Hokkaido Office: c/o Thoroughbred Breeders Club Co., Ltd., 3-3-1 Tomikawa-higashi, Hidaka-cho, Saru-gun, Hokkaido

Article 3. Types of Horses to be Handled

The horses to be handled at the Market shall be thoroughbred foals and yearlings bred in Japan.

Article 4. Horses on the Market

1. With regard to any horse handled in the Market, except in cases where the defects (*kashi*) stipulated in Paragraph 6, Article 17 were not announced in accordance

therewith, the horses will be sold “as is” without any kind of warranty by the Auction Holder or the seller.

2. A buyer may make reference to extremity x-rays and/or records of upper respiratory tract endoscopy at a designated repository facility located within the Market premises or online depository set up on the Auction Holder’s website, in accordance with the procedures separately stipulated by the Auction Holder, restricted only to yearlings that such a buyer intends to buy.

Article 5. Date of the Market

The date on which the Market will be held shall be the date determined by the Board of Directors of the Association, notified to the Governor of Hokkaido, and made public.

Article 6. Time of the Market

The time during which the Market will be held shall be from 8:00AM through 6:00PM. Provided, however, that if transactions regarding the horses are not completed within such time, such time may be extended.

Article 7. Tying Up of Horses, etc.

1. No horse shall be allowed to enter the Market premises nor be put up for auction unless it has been diagnosed by a veterinarian stationed at the veterinary clinic within the Market premises as being free from domestic animal epidemics stipulated in Article 2 of the Domestic Animal Epidemics Prevention Law.
2. The horses shall be tied up at the location designated by the Auction Holder, in accordance with the instructions of the Auction Holder.
3. With regard to any horse which, due to any illness other than the domestic animal epidemics stipulated in Article 2 of the Domestic Animal Epidemics Prevention Law, or any bad habit, is judged likely to pose danger to other horses, in the event that the Auction Holder refuses the entry of such horse to the Market or requests that it be isolated or its movements be restricted, the person responsible for such horse must abide by such refusal or request.

Article 8. Procedures in case of Examination by Veterinarian

1. Any party in a transaction regarding a horse at the Market may request a veterinarian stationed at the Market premises on the day of the Market an examination of such horse to determine whether it has any illness, provided that, as a matter of principle, all expenses for such examination shall be borne by the party

who requested such examination.

2. In the event that such party wishes to request the examination stipulated in the foregoing paragraph, such party shall make a request of such effect to the Auction Holder in advance.

Article 9. Liability for Accidents within the Market Premises

The Auction Holder shall not be held liable or responsible for any damages which may be caused by any accident related to any horse within the Market premises or any other premises related thereto at any time during the entire period during which the Market is held or any other periods during which any such horses are kept in the relevant stable in connection with participation in the Market.

Chapter 2. Methods and Procedures for Horse Transactions

Article 10. Methods of Transactions

Transactions regarding horses at the Market shall be made through purchase and sale, and the method of purchase and sale shall be through auction.

Article 11. Methods of Auction

1. The horses shall be led to the auction area one at a time in the order specified by the Auction Holder.
2. In principle, the method of auction shall be “bidding-up”, however, depending on the circumstances, there may be cases in which “bidding-down” (i.e., Dutch auction) is taken. Bidding-up shall be made in the unit(s) of one hundred thousand yen (¥100,000).
3. If the Auction Holder finds it necessary, horses may be deemed to be led to the auction area for auction by displaying their video instead of physically leading the horses to the auction area. If the Auction Holder intends to implement such a method of sale for auction, it shall announce its implementation as well as the contents thereof in advance.
4. If the Auction Holder finds it necessary, the buyer may participate in auction by way of bidding through telephone or online. If the Auction Holder intends to implement such a method of auction, it shall announce its implementation as well as the contents thereof in advance.

Article 12. Re-Auction

1. If there is no successful bidder for a horse, the seller may put such horse up for re-auction.
2. Any seller who wishes to put a horse up for re-auction pursuant to the foregoing paragraph shall immediately make a request to that effect to the Auction Holder.
3. Re-auctions shall be performed in such order that the Auction Holder designates.

Article 13. Seller and Application for Sale

1. Seller of a horse to be sold at the Market must be the owner of the horse.
2. The seller shall apply for sale of such a horse through online (provided that in case where the Auction Holder separately designates or approves, a written form may be used, hereinafter, both such on-line form and written form as prescribed by the Auction Holder shall be collectively referred to as "Application for Sale"). The Application for Sale shall be filled out with the name (or company name) and address of the seller, the seller's qualified invoice issuer registration number (except for sellers who are consumption tax-exempt), the horse's sex, color, date of birth, pedigree, bad habits, disease and surgical history as well as the name of its breeder and keeper, etc. In addition, the seller shall also submit an original document proving the horse's pedigree to the Auction Holder.
3. If a horse is co-owned by more than one owner, applying for sale of such a co-owned horse shall be made by all co-owners of the horse through their designated executive co-owner by submitting a written or online Application for Sale provided in the preceding paragraph, along with an original document proving the horse's pedigree as well as a list of all co-owners and a power of attorney in favor of such executive co-owner issued by all other co-owners as its attachments, in such forms as separately prescribed by the Auction Holder.
4. With regard to Application for Sale of a foal, any foal being applied for sale shall be limited to one that is fully owned (or co-owned) solely by a resident (or residents) in Japan and the stud fees for such a foal shall have been paid in full. If the Auction Holder deems it necessary at its discretion in the course of application procedures for sale of a foal, the Auction Holder may request the applicant to submit document(s) (including such document as purchase agreement) to prove the owner of such foal by no later than the deadline specified by the Auction Holder. Notwithstanding such request having been made by the Auction Holder, if the applicant fails to submit such document(s) by the deadline or if the Auction Holder deems that the document(s) so submitted fail to prove the owner of the foal,

Application for Sale of such foal shall not be accepted.

5. The document proving the horse's pedigree shall be the Certificate of Pedigree Registration issued by the Japan Association for International Racing and Stud Book. Provided, however, that with regard to foals and yearlings, the following procedures shall apply:
 - (1) Foal market
 - (a) When there is no document proving a foal's pedigree, the time for its submission will be extended until it is issued, and during such period of extension, the proof of pedigree shall be based on the declaration of the seller. Even in such a case, however, the seller must provide the Auction Holder with the Certificate of Pedigree Registration promptly upon issuance thereof.
 - (b) In submitting the Application for Sale, the seller shall provide both a copy of Stallion Service Certificate of the foal and Broodmare Registration Certificate of the foal's mare to the Auction Holder.
 - (2) Yearling market

The seller must provide the Auction Holder with a yearling's Certificate of Pedigree Registration at the time of applying for sale at the Market. Provided, however, that a late submission may be accepted if a seller who has not yet received a Certificate of Pedigree Registration from the Japan Association for International Racing and Stud Book proves that the application for registration of the yearling's pedigree has been filed to the said Association no later than the deadline for submission of the application for sale at the Market separately, such deadline to be specified by the Auction Holder. In such a case, the proof of pedigree shall be based on the declaration of the seller. The seller must provide the Auction Holder with the Certificate of Pedigree Registration upon issuance thereof.
6. With regard to Items (1) and (2) of the foregoing paragraph, if, after completion of the transaction, it is discovered that there is any discrepancy regarding the horse's pedigree in the contents of the seller's declaration, or if a paternal or maternal relationship is disproved by either a blood-type test or DNA-type test, the seller shall settle the matter entirely on its own responsibility. Further, if it is discovered that there is any discrepancy in the contents of a form of Application for Sale, the seller shall take all responsibilities arising from such discrepancy.
7. The Auction Holder shall be entitled to refuse the entry of a horse for auction if the Certificate of Pedigree Registration for the yearling is not submitted to the Auction

Holder by the day before the first day of the Market and if the Auction Holder deems it necessary to do so. Also, if it is discovered that there is any falsity or other discrepancy in the contents of the seller's declarations or statements concerning any horse that is applied for sale or is put up for auction, the Auction Holder shall be entitled to refuse, at its discretion, the application for sale or the entry of the horse for auction as well as any future applications for sale at the Market by that seller. In such a case, the Auction Holder shall not refund to the seller the Sales Application Registration Fee already received.

8. In the event that the Auction Holder has received the Certificate of Pedigree Registration from the seller, the Auction Holder shall deliver the Certificate of Pedigree Registration to the buyer after completion of settlement of the purchase price and the insurance premium payable by the buyer in full, and with regard to any horse retained by the seller as RNA (Reserve Not Attained), the Auction Holder shall return the Certificate of Pedigree Registration to the seller promptly after the auction of such horse. Provided, however, that in the cases stipulated in Paragraph 5, (1)(a) and (2) above, in which the Auction Holder has permitted late submission of the Certificate of Pedigree Registration, the Auction Holder shall deliver the Certificate of Pedigree Registration to the buyer after receiving the same from the seller.
9. In the event that a yearling which was applied for sale at the Market pursuant to Paragraph 1 of this Article has been selected as a yearling for sale at the Market, the seller shall submit to the Auction Holder such data and materials for repository as separately designated by the Auction Holder by no later than the designated due date. If there should be any dishonest act in relation to such data or materials, the seller shall take full responsibility for any matters which may arise therefrom or in connection therewith.
10. The seller shall submit to the Auction Holder through online or in writing all matters to be announced as specified in Article 17 by no later than the due date as separately designated by the Auction Holder, and if subsequently any new matter to be announced arises, submit same to the Auction Holder in writing (but not through online) as promptly as possible (but always with ample time so as to enable the Auction Holder to announce it well in advance for commencement of the relevant auction). The seller shall also submit to the Auction Holder through online (but not in writing) the reserve price (i.e., the proposed minimum sale price determined by the seller in advance, provided that such price excludes applicable consumption tax) on or prior to the date separately designated by the Auction Holder. The reserve

price so submitted may be changed by way of the seller submitting a new reserve price to the Auction Holder through online (provided however that if such change is made no earlier than 2 days prior to the commencement of the auction, such change shall be made in writing) by no later than the date immediately preceding the date of auction of the relevant horse in case of raising the reserve price, and no later than the commencement time for auction of the relevant horse in case of reducing the reserve price. The Auction Holder keeps the reserve price in its possession until conclusion of the Market.

11. The Auction Holder will not accept an application for sale from either of the following persons and if it is found that a seller of the horse which has been selected for auction falls under any of the following persons, such horse shall be treated as absence from sale:
 - (1) a bankrupt who has not been released from bankruptcy restrictions;
 - (2) a person who has been sentenced to imprisonment with or without work or a greater criminal punishment;
 - (3) a person who is a member of an organized crime group; or a person who ceased to be a member of an organized crime group less than 5 years ago; or
 - (4) in case of a corporation or association, any person among its directors/officers, and in case of a partnership, any person among its partners/members, who falls under any of the preceding items (i) through (iii).
12. The Sale Application Registration Fee stipulated in Article 28 (1) shall be paid immediately after the horse has been selected to be put up for auction.

Article 14. Selection of Horses

The Auction Holder, from among the horses for which an Application for Sale has been submitted, shall select such horses to be put up for auction at the Market, in accordance with the selection standards set out in the Appendix.

Article 15 Revocation of Sale Application/Absence from Sale

1. In the event that the seller revokes Application for Sale after the date of confirmation of such application as separately designated by the Auction Holder or that the seller tries to cause a horse which has been selected as a horse to be put up for auction to be absent from sale, the seller shall promptly notify of such effect to the Auction Holder and submit a veterinarian's medical certificate and/or any other documentary material(s) as specifically required by the Auction Holder, to prove the reasons for revocation of Application for Sale or causing the horse selected for

auction to be absent from sale (such as, the horse's illness or accident). The seller who fails to follow such procedures shall pay the Auction Holder the penalty for absence from sale as stipulated in Article 28 without regard to whether such a horse was selected as a horse to be put up for auction. The Auction Holder will not accept an Application for Sale for the following year from such a person who failed to follow the above procedures.

2. In the event that the Auction Holder receives a written notification pursuant to the foregoing paragraph, the Auction Holder shall, on the day of the Market, announce the horse's withdrawal (absence from sale) by posting at a designated place within the Market premises or on the Market Holder's website the horse number thereof recorded in the auction sale catalogue.

Article 16. Applying for Purchaser's Registration

1. Any person who wishes to purchase at the Market shall apply for purchaser's registration by providing his/her name (or company name), address and other information, as well as prepayment deposit or stand-by letter of credit as set out in Article 27 to the Auction Holder by no later than ten (10) days prior to the opening of the Market, provided that the Auction Holder may exempt those so recognized by the Auction Holder at its sole discretion from the obligation to provide prepayment deposit or stand-by letter of credit.
2. In the case stipulated in the foregoing paragraph, such a person who wishes to authorize an agent to act on his/her behalf for purchase at the Market shall provide the Auction Holder with a purchasing agent authorization (power of attorney) in the form specified separately. In addition, such a purchasing agent so authorized shall submit an Application for Registration as Purchasing Agent to the Auction Holder and be registered as Purchasing Agent.
3. If such a person cannot complete the procedures provided in Paragraphs 1 and 2 above by the due date stipulated in Paragraph 1 due to unavoidable reasons, there may be cases in which the Auction Holder accepts such a person's registration, provided that such a person completes the procedures set forth in Paragraphs 1 and 2 above and provides a guarantor acceptable to the Auction Holder, both at least 30 minutes prior to the opening of the Market. Further, if the Auction Holder specifically so approves, such provision of a guarantor may be exempted.
4. The Auction Holder will, after reviewing and accepting an application for purchaser registration so submitted, deliver a purchaser registration number tag to a purchaser so registered, provided however that in case where purchaser's registration is

applied for through online as specified in Paragraph 4, Article 11, the Auction Holder will deliver to such registered purchaser a document specifying the purchaser registration number, online ID and passwords instead of purchaser registration number tag.

5. Purchaser shall keep the purchaser's registration number tag (in case of bidding through online, then, online ID and passwords) in strict custody, and purchaser shall bear all legal responsibilities arising from bidding up and successful bidding made by use of purchaser registration number tag or online ID and passwords.
6. The Auction Holder will not accept an Application for Purchase from either of the following persons:
 - (1) a bankrupt who has not been released from bankruptcy restrictions;
 - (2) a person who has been sentenced to imprisonment with or without work or a greater criminal punishment;
 - (3) a person who is a member of an organized crime group; or a person who ceased to be a member of an organized crime group less than 5 years ago; or
 - (4) in case of a corporation or association, any person among its directors/officers, and in case of a partnership, any person among its partners/members, who falls under any of the preceding items (i) through (iii).
7. The Auction Holder will review the documents/matters provided for in the foregoing Paragraphs 1 through 3 and 6, and also take into account of whether any of the sub-paragraphs in Article 31 will apply, as a result of which there may be cases in which the Auction Holder will not accept such a person's application for purchaser registration.

Article 17. Announcements prior to the Commencement of Auction

1. Matters to be announced prior to the commencement of auction shall be those provided in the auction sale catalogue and the matters specified in Paragraph 6 below.
2. If the seller has any matters to be added or becomes aware of any matters left out or errors in the matters provided in the auction sale catalogue, the seller shall, prior to the commencement of the auction, request in writing to the Auction Holder for such addition or correction.
3. If the Auction Holder receives such a request pursuant to the foregoing paragraph, the Auction Holder shall make announcements concerning such addition or correction from the auction rostrum.
4. In the event of any discrepancy between the real fact and the matters so announced,

the seller shall settle and resolve such matter entirely on its own responsibility.

5. If a Certificate of Pedigree Registration has not yet been issued for a yearling, such fact shall be announced prior to commencement of the auction of such foal or yearling.
6. The following matters notified by a seller through online or in writing shall be announced per each applicable horse at a designated place within the Market premises and on the Auction Holder's website, and the auctioneer will verbally announce a summary thereof, prior to the commencement of the relevant auction:
 - (1) bad habits (cribbing, circling or weaving)
 - (2) eye diseases (cataract, amaurosis or glaucoma), periodic ophthalmia (moonblindness)
 - (3) history of surgery for upper respiratory disease
 - (4) history of laparotomy
 - (5) history of surgery caused by bone fracture
 - (6) history of surgery for orthopedic disease in the joint
 - (7) history of tenotomy or desmotomy
 - (8) gelding

Article 18. Determination of Successful Bidder, Agreement of Purchase and Sale and Risk of Loss

1. If the auctioneer calls out the highest bid at least three (3) times, and no bidder makes a bid exceeding the amount thereof, the auctioneer will fall the hammer, and immediately thereafter announce such highest bidder's registration number and the amount of such bid. Provided, however, that if such highest bid is less than the reserve price, such highest bidder will not become the successful bidder and no sale shall occur (RNA or Reserve Not Attained).
2. The auctioneer will determine such highest bidder (whose bid price is no less than the reserve price) to be the successful bidder, upon which an agreement for sale shall take effect between the seller and such successful bidder.
3. No person shall be entitled to raise any objections after the auctioneer has determined the successful bidder.
4. Upon determination of the successful bidder, the successful bidder shall immediately execute the prescribed form of the Confirmation of Sale. Notwithstanding the above, in case of successful bidding through online as stipulated in Paragraph 4, Article 11, such an online successful bidder shall confirm such sale and purchase on the online bidding web-site, instead of executing the

aforesaid Confirmation of Sale.

5. The successful bidder and the seller must later execute Agreement of Purchase and Sale in such form as separately prescribed, for the purpose of re-confirmation of such agreement for sale and purchase.
6. All risk of loss concerning the horse so auctioned and sold shall pass from the seller to the successful bidder (purchaser) upon determination of the successful bidder at which the agreement for sale and purchase takes effect.

Article 19. Settlement of Dispute in Determination of Successful Bidder

1. In the event of any dispute that may arise in regard to determination of a successful bidder, all the persons involved in such dispute shall be bound by the decision of the auctioneer.
2. In the event that the auctioneer makes a decision to re-commence the auction of the horse in dispute, only such parties directly involved in such dispute may participate in such re-commenced auction, provided however that if the auction price falls below the price as of when the cause of dispute arose, any party may participate in the auction, and the auctioneer shall so announce.

Article 20. Payment of Purchase Price and Ownership Title Transfer

1. The buyer shall pay, within ten (10) days immediately following the last day of the sale at the Market, the amount of the successful bid plus the applicable consumption tax thereon (hereinafter collectively referred to as the "Purchase Price") by wire-transfer to the bank account designated by the Auction Holder. Provided, however, that with regard to foals only, the following arrangements for payment may be used: fifty percent (50%) of the Purchase Price is paid within ten (10) days immediately following the last day of the sale at the Market, and the remaining fifty percent (50%) of the Purchase Price is paid no later than March 31 of the following year. The Purchase Price shall be paid in Japanese Yen currency. The bank's handling charge for such wire-transfer shall be borne by the buyer.
2. The Auction Handling Fee stipulated in Article 28 (2) shall be payable by the seller, and the Auction Holder shall collect such Auction Handling Fee from the Purchase Price received from the buyer and pay the remainder to the seller.
3. If the buyer fails to pay the Purchase Price by the due date, the buyer shall pay late payment penalty in the amount of twenty percent (20%) annual interest on the unpaid portion thereof, to be calculated for the period from the day following such due date through the date of completion of full payment. The payment of late

payment penalty shall be made by wire-transfer to the bank account designated by the Auction Holder.

4. Ownership title of the horse so auctioned and sold shall pass from the seller to the buyer, upon full payment by the buyer of (i) the Purchase Price and (ii) the insurance premium payable by the buyer as specified in Article 28 (4).

Article 21. Delivery of Horses

1. Delivery of the horse to the buyer shall be made at the date, time and place determined by the seller and the buyer through mutual consultation, after full payment of (i) the Purchase Price and (ii) the insurance premium payable by the buyer as specified in Article 28 (4).
2. As to keep-fee of horses prior to delivery, such keep of the foals shall be performed free of charge until March 31 of the following year of the Auction Sale, and such keep of the yearlings shall be performed free of charge until 10th day of the day following the last day of the Auction Sale, provided however that special costs of the horse such as medical expenses shall always be borne by the buyer. If the seller (or any third party keeper such as a third party farm which the seller requested to keep the horse) continues to keep the horse after such date as set out above (as the case may be), such keep of the horse shall be performed in consideration of keep-fee from the day following such date as set out above (as the case may be) until the day of actual delivery. The seller and the buyer shall enter into an agreement for keep of the horse by no later than such date as set out above.
3. Until delivery of the horse, the seller shall keep such horse with the same degree of care as if the horse were the property of the seller.
4. As to foals only, the seller shall complete the implantation of a micro-chip with such standards stipulated by the International Organization for Standardization (ISO) under its own expenses for the purpose of identifying each horse, no later than the time of delivery to the buyer. If, following the delivery of the horse, it turns out that the seller failed to complete such implantation, the seller shall be fully responsible for the settlement of any problem that may arise therefrom.

Article 22. Rescission of Agreement

1. If the buyer or the seller breaches any of these Regulations or any specific provisions of the Agreement of Purchase and Sale, the other party shall be entitled to rescind the Agreement of Purchase and Sale pursuant to relevant laws or the provisions of the Agreement of Purchase and Sale.

2. If, within ten (10) days after the day following the date of sale at the Market, the buyer discovers any matter specified in Paragraph 6, Article 17 which was not announced pursuant to Article 17, and notifies the Auction Holder in writing of such effect with a medical certificate, etc. issued by a veterinarian, the buyer shall be entitled to rescind the Agreement of Purchase and Sale regarding such horse.
3. If the defect (*kashi*) in question is other than the items stipulated in Paragraph 6, Article 17, or if the written notification of any defect is given after the period stipulated in the foregoing paragraph, the buyer shall not be entitled to raise any objection in respect to defects of the horse in question.

Article 23. Announcements after Completion of Transactions

Announcements to be made after completion of transactions shall be made by posting the following items at a designated place within the Market premises and on the Auction Holder's website no later than the following day of such transactions:

- (1) The number of horses auctioned, categorized by sex and age;
- (2) The number of horses on which transactions were concluded, categorized by sex and age; and
- (3) The highest, lowest, and average purchase price for horses in each of the categories specified above.

**Chapter 3. Attendants for Management of Market Operations;
Persons concerned with Transactions**

Article 24. Members for Management of Market Operations

The Auction Holder shall manage the operations of the Market. The auctioneers, veterinarians and Market attendants shall be either employees of the Auction Holder or those persons designated or commissioned by the Auction Holder.

Article 25. Prohibited Acts of Auctioneer

No auctioneer shall be engaged in any of the following acts:

- (1) Obstructing legitimate transactions in collusion with any seller or buyer, or allowing any seller or buyer to engage in bid rigging or any other wrongful act;
- (2) Receiving money or any other benefit from any seller or buyer in connection with the auctioneer's duties;
- (3) Becoming a party to a purchase or sale;
- (4) Intentionally preventing the completion of a successful bid;

- (5) Calling out bids in argot or in any other manner not understandable to all; and
- (6) Disclosing to any other person a reserve price recorded in a reserve price document.

Article 26. Prohibition of Brokerage Business

No brokerage business shall be permitted in the Market.

Chapter 4. Prepayment Deposit and Fees to be Collected

Article 27. Prepayment Deposits

1. The amount of prepayment deposit set out in Paragraph 1, Article 16 shall be either (i) 50% of the buyer's estimated purchase amount to be calculated based upon the estimated number of horses and the estimated averaged price per horse to be purchased by the buyer or (ii) the minimum amount of prepayment deposit being twenty million yen (¥20,000,000.), whichever is the higher. Prepayment deposit shall be provided by way of either (i) paying in Japanese Yen currency by wire-transfer to the bank account designated by the Auction Holder or (ii) providing a yen-denominated stand-by letter of credit (whose face amount shall be equal to the applicable amount of prepayment deposit) issued by a financial institution which shall be subject to the Auction Holder's approval. Prepayment deposit shall bear no interest.
2. A buyer who has provided prepayment deposit or stand-by letter of credit may participate in the auctions during the Sale up to the extent of twice the amount of prepayment deposit or the face amount of stand-by letter of credit, as a matter of principle.
3. In case of prepayment deposit by wire-transfer, such prepayment deposit shall be applied to all or part of the purchase price on the day following the last day of the Sale. In case of prepayment deposit by way of stand-by letter of credit, the exercised amount of such letter of credit shall be applied to all or part of the purchase price, if the buyer fails to pay the purchase price by the due date as set out in Paragraph 1, Article 20. Further, if the penalty as set out in Paragraph 1, Article 29 has arisen, all or part of the prepayment deposit or the exercised amount of the stand-by letter of credit shall be applied to such penalty. If the buyer successfully bid more than one horse during the Sale, the prepayment deposit or the exercised amount of stand-by letter of credit shall be applied to the purchase price or the penalty (as the case may be) of each horse on a pro-rata basis.
4. If, following completion of payment (including application thereto) of all purchase

price and/or penalty related to all horses that the buyer successfully bid during the Sale, there is any remainder in the prepayment deposit, the Auction Holder will repay it to the buyer without delay.

Article 28. Fees to be Collected

The types and amount of fees to be collected shall be as follows:

(1) Sale Application Registration Fee:

Members of Japan Racing Horse Association:

Fifty thousand yen (¥50,000) plus its applicable consumption tax per horse.

Those other than members of Japan Racing Horse Association:

One hundred thousand yen (¥100,000) plus its applicable consumption tax per horse.

The Sale Application Registration Fee under this sub-paragraph (1) will not be refunded under any circumstances.

(2) Auction Handling Fee: For foals, four one-hundredth (4/100) of the amount of successful bid plus its applicable consumption tax, payable by the seller.

For yearlings, five one-hundredth (5/100) of the amount of successful bid plus its applicable consumption tax, payable by the seller.

(3) Auction Handling Fee in case of RNA:

For a foal, one and a half-hundredth (1.5/100) of the Reserve Price, payable by the seller of a foal of RNA (i.e., a horse in respect to which the highest bid did not reach the reserve price and therefore no Agreement of Purchase and Sale takes effect)

For a yearling, two and a half-hundredth (2.5/100) of the Reserve Price, payable by the seller of a yearling of RNA.

Notwithstanding the foregoing, in no event shall Auction Handling Fee in case of RNA be less than sixty thousand yen (¥60,000) for a foal of RNA and one hundred thousand yen (¥100,000) for a yearling of RNA.

(4) Premium for Market General Insurance

For foals, the premium for Market General Insurance shall be borne and payable by the seller and the buyer in the ratio of 60%:40% respectively. For yearlings, the

premium shall be equally borne and payable by the seller and the buyer.

(5) **Penalty for Absence**

One million yen (¥1,000,000) per horse, provided that this penalty shall not apply if such absence occurred due to any good cause for unavoidable reasons such as sicknesses or accidents of the horse in question and such effect was promptly notified to the Auction Holder together with a veterinarian certificate.

Chapter 5. Miscellaneous Provisions

Article 29. Measures in case of Breach of Agreement

1. If the Agreement of Purchase and Sale is rescinded or terminated due to breach of the Agreement by the buyer, such buyer shall pay to the Auction Holder as penalty an amount equal to fifty one-hundredths (50/100) of the Purchase Price. Provided, however, that with regard to foals, if the Auction Holder has already received fifty percent (50%) of the Purchase Price, such amount may be fully applied to such penalty.
2. The penalty collected by the Auction Holder shall be paid to the seller of the horse in question.

Article 30. Insurance on Horses

1. With regard to any foal sold at the Market, the Auction Holder shall, at the respective expenses of the seller and the buyer in the ratio of 60%:40%, take out Market General Insurance on the foal, and the coverage shall be the entirety of the Purchase Price.
2. With regard to any yearling sold at the Market, the Auction Holder shall, at the expenses of the seller and the buyer in the ratio of 50%:50%, take out Market General Insurance on the yearling, and the coverage shall be the entirety of the Purchase Price.
3. Such portion of the insurance premium payable by the buyer shall be paid by the buyer together with the Purchase Price on the payment due date of the Purchase Price (in case of foals, on the payment due date for the initial 50% of the Purchase Price), and such portion of the insurance premium payable by the seller shall be settled by way of deduction from the Purchase Price which the Auction Holder pays to the seller.
4. For both foals and yearlings, the insurance money to be paid in case of occurrence of an insured event (either death or loss of racing ability) shall first be paid to and

received by the Auction Holder which shall then pay it to the owner of the horse in question. If at such time the buyer has paid all or part of the Purchase Price, the Auction Holder shall make appropriate adjustments with regard to settlement of such insurance money.

Article 31. Matters regarding Maintenance of Order within the Market Premises

There may be cases in which the Auction Holder refuses entry into or orders to leave the Market premises against any person to whom any of the following applies:

- (1) A person who violates any of these Regulations;
- (2) A person who spreads false rumors regarding any horse at the Market;
- (3) A person who obstructs the operations of the Market or disturbs the order of the Market, or who is likely to do so;
- (4) A person who intentionally damages the facilities of the Market or makes harm to any horse, or who is likely to do so; and
- (5) A person who does not follow the instructions of Market attendants.

Article 32. Jurisdiction

In the event that any dispute arises in connection with the transactions regarding horses at the Market, the parties shall submit exclusively to the jurisdiction of the Sapporo District Court.

Article 33. Effective Date

These Regulations shall become effective as from April 1, 1998.

Supplementary Provision

The amendments to these Regulations shall take effect as from March 7, 2025.

Appendix

Selection Standards for Horses for Auction at the Market

The Auction Holder shall select horses (foals or yearlings of thoroughbred) to be put up for auction sale at the Market in accordance with the following:

1. The Horse Selection Committee

- (1) The members of the Horse Selection Committee (the “Committee”) shall be appointed by the Chairman of the Japan Racing Horse Association (the “Association”) based upon the approval of the Board of Directors of the Association.
- (2) The number of the members of the Committee shall be no less than eight (8) but no more than eleven (11), two (2) of whom shall be appointed by the Chairman of the Association from among those who have profound learning and experience with thoroughbred horses.
- (3) The quorum of the Committee for holding a meeting and making resolutions shall be the attendance by the majority of the members.

2. Method of Selection

The Committee will select such horses with regard to their pedigree based upon the priority of the races attached hereto (“Selection Standards”) in accordance with the following procedures, and with due consideration to the sire of the horse, the horses ranked high shall be selected within the number of horses available for auction at the Market:

- (1) With respect to the racing performance of the broodmare and its close family members, the Committee will, in accordance with the Selection Standards, put the horse with more winners of important races among its broodmare and close family members into a higher rank.
- (2) With respect to the evaluation of sires, the Committee will determine the ranks of sires in accordance with the racing results of the progeny of sires based upon the then current sire ranking (as published by Japan Racing Association) and the Selection Standards. With respect to freshman sires, the Committee will

separately determine the ranks with due consideration to their pedigree, racing results and prospect as a stallion.

- (3) In conducting the selection activities, the Committee may use a Black-type prepared based upon the Selection Standards in order to facilitate the evaluation of pedigree visually.

(Note) A “Black-type” is a written description of pedigree adopted in the catalogue for horses put up for auction at the Market, in which horses of their family who won or placed in major races in and outside Japan are described in accordance with the Selection Standards, together with the description of broodmare pedigree.

3. Miscellaneous

- (1) In the event that the Committee believes that the public nature of the Market may be impaired due to, for example, an unreasonably significant number of horses owned by a specific owner being put up for auction sale at the Market as a result of horse-ranking determined in the course of selection activities, the Committee may exclude certain horse(s) owned by such specified owner with the consent of the seller.
- (2) The Committee or the Association will notify the seller of the results of selection or non-selection.

Attachment

Selection Standards (Priority of the Races)

A priority shall be given to the races in the following order:

I. 1st Priority

- (1) JRA: Winners of any JRA Graded *Jusho* Race (i.e., any JRA *Jusho* Race graded as International G1, G2 or G3; or JRA Steeplechase *Jusho* Race graded as JG1, JG2 or JG3) or any Listed Race (i.e., JRA *Open Tokubetsu* Race listed on International Cataloguing Standards Book, the same applies hereinafter)
- (2) NAR: Winners of (i) any Dirt Graded Race (DGR) or (ii) any of *Minami-Kanto Jusho* Races; any of the 3 Major Races in the *Tokai* Region (i.e., *Tokai Derby*, *Tokai Kikuka Sho* and *Tokai Oka Sho*, the same applies hereinafter); or any other major race whose prize money for the winner is ¥30,000,000 or more, provided that those races referred to in this subparagraph (ii) shall have been held prior to the implementation of DGR system in April, 1997
- (3) Foreign: Winners of any International G1, G2 or G3 race, or any locally graded race in Canada (including any race equivalent to the above held prior to the implementation of the Graded Race system, the same applies hereinafter) or winners of any Listed Race listed on Part I of International Cataloguing Standards Book, the same applies hereinafter) or any stakes race in North America equivalent to the above

II. 2nd Priority

- (1) JRA: Winners of any JRA *Open Tokubetsu* Race other than Listed Race (any of those races held in or after 1984, but excluding steeplechase races, the same applies hereinafter), or 2nd or 3rd in any JRA Graded *Jusho* Race or Listed Race
- (2) NAR: 2nd or 3rd in any DGR, or winners of any major race other than those specified in I (1st Priority) above whose prize money for the winner is ¥10,000,000 or more

- (3) Foreign: 2nd, 3rd or 4th in any International G1, G2 or G3 race, any locally graded race in Canada (including any race equivalent to the above held prior to the commencement of the Graded Race system), or 2nd or 3rd of any Listed Race listed on Part I of International Cataloguing Standards Book or any stakes race in North America equivalent to the above)

III. 3rd Priority

- (1) JRA: Winners of any *Tokubetsu* Race (excluding steeplechase races); 2nd or 3rd in any *Open Tokubetsu* Race other than Listed Race; 4th or 5th in any JRA Graded *Jusho* Race), any horse which won 4 or more races (excluding steeplechase races) or any horse which won 3 or more steeplechase races
- (2) NAR: 4th or 5th in any DGR, or 2nd or 3rd in any *Minami-Kanto Jusho* Race held prior to the commencement of DGR system, any of 3 Major Races in the *Tokai* Region or any major race whose prize money for the winner is ¥30,000,000 or more, or winners of any *Jusho* race other than the above
- (3) Foreign: winners of any Listed Race listed on Part II or Part III of International Cataloguing Standards Book or any other major race (excluding steeplechase race)

IV. 4th Priority

Any horse other than those under the foregoing categories specified in I through III above