

By-laws on Regulations for Direct Offerings, etc. of Beneficiary Certificates, etc.

Established on March 17, 1994
Revised on November 7, 1997
Revised on November 27, 1998
Revised on April 16, 1999
Revised on June 19, 2000
Revised on September 22, 2000
Revised on December 15, 2000
Revised on March 15, 2002
Revised on June 21, 2002
Revised on October 25, 2002
Revised on March 19, 2004
Revised on September 15, 2004
Revised on January 19, 2007
Revised on September 21, 2007
Revised on February 17, 2011
Revised on September 18, 2013
Revised on June 8, 2017
Revised on April 18, 2019
Revised on May 20, 2021

Article 1. Purpose

These By-laws provide for matters necessary for enforcement of the Regulations for Direct Offering, etc. of Beneficiary Certificates, etc. (hereinafter referred to as the "Regulations").

Article 2. Notification of the Total Return

Notification of the Total Return provided in Article 10-2 of the Regulations shall be conducted as stipulated below.

(1) Scope of subject investment trusts

- (i) Notification of the Total Return shall be given for those investment trusts where the public offering of securities (as defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the "FIEA")) were conducted among all investment trusts (meaning investment trusts as defined in Article 10-2 of the Regulations; the same shall apply hereinafter) which are managed by Full Members through entries or records in a transfer account book.)
- (ii) Notwithstanding (i) above, the following investment trusts may be excluded from the requirements for the Total Return notification.
 - (a) An investment trust which was being traded on the Financial Instruments Exchange Market at the time of the customer's purchase;
 - (b) Investment trusts purchased by a customer as investment assets under a discretionary investment contract (meaning contracts as defined in Article 2, Paragraph 8, Item 12 (b) of the FIEA);
 - (c) Investment trusts listed in the provisions of Article 65, Item 2 (a) through (c) of the Cabinet Office Ordinance on Financial Instruments Business, etc. (Cabinet Office Ordinance No. 52 of 2007);
 - (d) Bond investment trusts (meaning investment trusts as defined in Article 13, Item 2 (a) or (c) of the Ordinance for Enforcement of the Act on Investment Trusts and Investment Corporations (Cabinet Office Ordinance No. 129 of 2000).);

- (e) Umbrella investment trusts (meaning an investment trust managed as a single fund combining multiple sub-funds under management) which satisfy all of the following requirements;
 - a) Funds which include two or more of sub-funds that state in their investment trust contracts, etc. that their purpose is to actively invest for a purpose other than hedging and will be linked either positively (bull-type fund) or negatively (bear-type fund) (including those with an inverse correlation of a certain multiple) to various indices, assets, etc., as well as sub-funds that state that their purpose is to function as a temporary reserve fund to ensure stable management (money pool fund)
 - b) Funds where switching between sub-funds is possible (including sub-funds other than those described in a) above ; the same shall apply to c) below)
 - c) Funds that do not include sub-funds which make distributions more than twice a year
 - (f) Investment trusts and so-called Million Investment Trusts which are deemed to be a savings contract under the workers' property accumulation savings system (as defined in Article 6; Paragraphs 1, 2 and 4 of the Workers' Property Accumulation Promotion Act (Act No. 92 of 1971)) and for which the amount of deposit, etc. shall be notified periodically (as provided for in Article 13-20 of Enforcement Order for the Workers' Property Accumulation Promotion Act (Cabinet Order No. 332 of 1971))
 - (g) Investment trusts purchased using funds contributed by a defined contribution pension plan (meaning a defined contribution pension as defined in Article 2, Paragraph 1 of the Defined Contribution Pension Act (Act No. 88 of 2001))
 - (h) Investment trusts for which a purchase agreement has not been concluded between the relevant Full Member and the customer
Provided, however, that investment trusts succeeded as result of a merger between Full Members or a company split shall be handled as described in (iii) below.
 - (i) Investment trust transferred between the accounts held by the same member company
 - (j) Investment trust held by a customer for more than ten (10) consecutive years
- (iii) Notification of the Total Return for investment trusts held by customers that have been succeeded as the result of a merger between Full Members or a corporate split shall be provided by the surviving company or the successor company.

In this case, notification of the Total Return shall be given for the entire period during which the customer held such investment trust. However, if it is difficult to transfer the relevant data, the purchase price may be determined by applying the market price, etc. on the date of receipt of such investment trust into the customer's account, or the accumulated distribution received prior to such receipt may be excluded from the calculation of the Total Return.

(2) Scope of subject customers

This applies to individual customers (excluding professional investors).

However, professional investors and corporate customers may be included.

(3) Method of calculating the Total Return

- (i) The Total Return shall be the amount calculated using the following formula:

("(a) Appraisal value"+"(b) Cumulative distribution amount received"+ "(c) Accumulated sales proceeds")-"(d) Accumulated purchase amount"

(ii) The numerical value for each factor in the calculation formula for investment trusts shall be derived as follows:

(a) Appraisal value shall be obtained by evaluating all units of the investment trust held by the relevant customer on the base date of calculation.

Appraisal value = [Base value on the base date of calculation] x [Number of units held on the base date of calculation] / [Calculation unit]

(Note) The redemption value may be used in lieu of the base value.

(b) Cumulative distribution amount received means sum of the distribution payments received (after tax) received by the relevant customer during his/her holding period of the relevant investment trust. However, reinvested amount of any distribution from the reinvestment-type investment trust shall not be included.

Cumulative distribution amount received = [Cumulative sum of the distribution payments received]

Distribution payments received = [distribution amount for the period (distribution amount per unit x number of units held)] - [Tax on the distribution amount for the period]

(Note 1) Reinvested amount of the reinvestment account may be included in the cumulative distribution amount received. Provided, however, that the reinvested amount shall be also included in the accumulated purchase amount.

(Note 2) Distribution payments received may be used on a pre-tax basis.

(c) Accumulated sales proceeds mean the total sales amount received by the customer as result of partial sale(s) of his/her holdings during the holding period of the relevant investment trust.

Accumulated sales proceeds = [Cumulative sum of sales proceeds]

Sales proceeds = [Redemption value] x [Number of units to be sold] / [Calculation unit] - [Redemption fee] - [Consumption tax on the redemption fee]

(d) Accumulated purchase amount means the cumulative sum of amounts used to purchase the relevant investment trust. However, reinvested amount of any distribution from the reinvestment-type investment trust shall not be included.

Accumulated purchase amount = [Cumulative sum of purchase amounts]

Purchase amount = [Contract Price (Base value x Number of units purchased / Calculation unit)] + [Sales commission] + [Consumption tax on the sales commission]

(Note) When reinvested amount of the reinvestment account is included in the cumulative distribution amount received, such reinvestment shall also be included in the accumulated purchase amount.

(iii) For investment trusts denominated in foreign currencies, the Total Return shall be calculated in the currency (foreign currency) pertinent to such investment trusts. However, the Total Return may also be calculated on a yen basis.

(4) Method of notification

- (i) Notification of the Total Return shall be made by any of the following means;
 - (a) Delivery of documents;
 - (b) Transmission using a facsimile machine;
 - (c) Transmission via e-mail (meaning e-mail as defined in Article 2, Item 1 of the Act on Regulation of Transmission of Specified Electronic Mail (Act No. 26 of 2002).), or;
 - (d) Transmission via the Internet or any other telecommunication line
- (ii) If notification of the Total Return is provided via a method set forth in (b) through (d) of (i) above, the prior consent of the relevant customer shall be obtained for using said method to provide notification of the Total Return. However, customers who have already agreed to receive other documents via electromagnetic means may be notified in advance of the fact that the notification of the Total Return will be delivered via such means in lieu of consent.
- (iii) Notwithstanding the provision of (i) above, until November 30, 2017, a Full Member may notify its customers of Total Return by responding to inquiries received from such customers regarding their Total Returns. In this case, the method of notification of the Total Return may be oral or any of the methods set forth in (a) through (d) of (i) above.
- (iv) When notifying a customer of the Total Return in the manner set forth in (i),(d) above or pursuant to the provision of (iii) above, a Full Member shall send a written notification that the customer can receive the Total Return notification in such electromagnetic means before such customer becomes able to receive the notification by such means. However, any customer who has already given consent to receive other documents by electromagnetic means may be notified by such means in lieu of written notification (the same shall apply to the notification provided for in (6) Contents of notification, (ii) below.).

(5) Frequency of notification and base date of calculation

- (i) Notification of the Total Return as provided for in (4) Method of notification, (i) above shall be given at least once a year. In this case, the base date of calculation for the Total Return shall be determined by each Full Member, and the Total Return of the investment trust held by customers on such base dates shall be notified to the relevant customers.
- (ii) When providing notification in accordance with (4) (iii) above, the Total Return shall be calculated at least once per year and the most recently calculated Total Return shall be notified.

(6) Content of notification

- (i) Notifications of the Total Return shall include the following items:
 - (a) Name of the relevant investment trust;
 - (b) Base date of calculation;
 - (c) Appraisal value;
 - (d) Cumulative distribution amount received and accumulated sales amount (notification of the total amount of receipts which is the sum of both are acceptable.);
 - (e) Accumulated purchase amount;
 - (f) Amount of Total Return;
 - (g) Calculation formula for Total Return;

- (h) Statement to the effect that the amount listed in the document may not be used for calculating taxes, and;
- (i) Other matters deemed necessary by the Full Members
- (ii) Notwithstanding (i) above, in the case of oral response to the inquiry as described in the (4)(iii) if the customer has been notified in advance in writing concerned with matters described in (i), (g) and (h) above, the Full Member may notify matters described in (i), (a), (b) and (f) above as well as other matters deemed necessary by such Member.
- (iii) With regard to the notification of the Total Return, an environment must be maintained in which customers can understand the scope of investment trusts subject to the notification of the Total Return and the basis of each calculation factor in the calculation formula for the Total Return.

Article 3. Asset Management Companies

An asset management company as described in Article 11, Paragraph 2 of the Regulations shall be a company which is deemed to have no issue in protecting investors by the settlor in consideration of the financial institution's offices and other financial foundations as prescribed in Article 51-3, Paragraph 1, Item 1 of the Order for Enforcement of the Income Tax Act as well as its history of achievements with securities management and operations.

Article 3-2. Matters to Be Included in the Management Report

1. The matters to be included in the management report as provided in Article 11, Paragraph 5 of the Regulations shall be as follows:

- (1) The obligation to comply with the laws and regulations, etc. concerning segregated management;
- (2) The obligation for establishing and operating an effective internal control system to ensure legal compliance with the laws and regulations, etc. concerning segregated management;
- (3) The obligation to entrust segregated customer funds or manage customer securities separately if the member is also an account management institution as of the base date for audits (hereinafter referred to as the "Base Date");
- (4) The obligation to perform procedures to confirm that segregated management of customer assets has been implemented in compliance with the laws and regulations;
- (5) Whether or not segregated management for customer assets complies with the laws and regulations as of the Base Date as a result of performing the procedures set forth in the preceding item;
- (6) The content of any event that may have a material impact on compliance with the laws and regulations, etc. concerning segregated management which occurred after the Base Date but before the management report submission date

2. The reference form for the management report shall be Attached Form 1.

3. The form specified in the By-laws as prescribed in Article 11, Paragraph 8 of the Regulations shall be Attached Form 2.

Article 4. Notifications for Sales Officers and Representatives

1. The form specified in the By-laws as prescribed in Article 14, Paragraph 1 of the Regulations shall be Attached Table 1.
2. The form specified in the By-laws as prescribed in Article 14, Paragraph 2 of the Regulations shall be Attached Table 2.

Supplementary Provision

This standard shall come into effect on March 17, 1994.

Supplementary Provision

The revised Regulations of Article 4, Article 5, and Article 6 shall come into effect on December 1, 1997.

Supplementary Provisions

The revised Regulations of Article 3, Article 4, Article 5, and Article 6 shall come into effect on December 1, 1998.

However, for beneficiary certificates deposited for custody on or before November 30, 1998, the prior standards shall apply until November 30, 1999.

Supplementary Provision

The revised Regulations of Article 3 shall come into effect on April 16, 1999.

Supplementary Provision

The revised Regulations of Attached Table 1 shall come into effect on June 19, 2000.

Supplementary Provision

The revised Regulations of Attached Table 1 shall come into effect on September 22, 2000.

Supplementary Provision

This amendment shall come into effect on December 15, 2000.

Supplementary Provisions

This amendment shall come into effect on April 1, 2002.

Deleted the provisory clause

Supplementary Provisions

This amendment shall come into effect on October 25, 2002.

Deleted the provisory clause

Supplementary Provisions

1. This amendment shall come into effect on April 1, 2004.
2. Deleted

Supplementary Provision

This amendment shall come into effect on October 1, 2004.

Supplementary Provision

This amendment shall come into effect on January 19, 2007.

Supplementary Provisions

1. This amendment shall come into effect on September 30, 2007.
2. The proviso to supplementary provisions following the amendment on April 1, 2002, the proviso to supplementary provisions following the amendment on October 25, 2002, and the supplementary provision 2 following the amendment on April 1, 2004 shall be repealed as of September 30, 2007.

Supplementary Provision

This amendment shall come into effect on April 1, 2011.

Supplementary Provision

This amendment shall come into effect on December 1, 2014 and will apply to investment trusts newly purchased by customers on or after such implementation date.

Supplementary Provision

This amendment shall come into effect on June 8, 2017.

However, the amendments of Article 3 and Article 3-2 shall come into effect on March 31, 2018.

* The amended provisions are as follows:

Article 3 is amended. Article 3-2 is newly established. Attached Forms 1 and 2 are newly established. Attached Tables 1 and 2 are amended.

Supplementary Provision

This amendment shall come into effect on May 1, 2019.

* Necessary arrangement in connection with the change of era name

Supplementary Provision

This amendment shall come into effect on June 1, 2021.

* The amended provisions are as follows:

- Attached Form 2 as provided in Article 3-2, Paragraph 3
- Attached Tables 1 and 2 as provided in Article 4, Paragraphs 1 and 2

Attached Form 1
[Reference Form 1]
(For a legal audit)

Management Report on Compliance with the Laws and Regulations, etc. Concerning Segregated Management

Reiwa (or Western calendar) (MM) (DD) (YYYY)
____ Co., Ltd.
President and Representative Director ____ [Seal] (Note 1)

As the management (Note 1) of ____ Co., Ltd. (hereinafter the “Company”), pursuant to Article 2, Item 1 of the Order Regarding Account Management Institutions and in accordance with Article 43-2, Paragraphs 1 and 2 of the Financial Instruments and Exchange Act, we are hereby responsible for the segregated management of customer assets in compliance with the following related laws and regulations and the rules of the Investment Trusts Association, Japan.

- Article 43-2, Paragraph 1 and Paragraph 2 of the Financial Instruments and Exchange Act
- Article 136, Article 138, Article 139, Article 141 (excluding, however, Paragraph 1, Item 3 and Items 10 through 13 and Paragraph 5 through Paragraph 7) and Article 141-3 of the Cabinet Office Ordinance on Financial Instruments Business, etc.
- August 2007 Notice No. 57 and No. 58 of the Financial Services Agency
- Article 11 and Article 12 of the Regulations for Direct Offerings, etc. of Beneficiary Certificates, etc.
- By-laws on Segregated Customer Trust Funds for Direct Offering, etc. of Beneficiary Certificates, etc.

We have the obligation to establish and operate an effective internal control system to comply with laws and regulations, etc., have entrusted segregated customer funds as of Reiwa (or Western calendar) MM/DD/YYYY and have the obligation to manage customer securities separately.

The Company has implemented procedures to ensure that it applies segregated management to client assets in compliance with applicable laws and regulations, etc. (Note 2)

As a result of implementing these procedures, the Company represents that it employs segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY. (Note 3)

End of document

(Note 1) The term “management” means any director or executive officer who is responsible for the execution of business operations at the company. For foreign companies, it means a representative in Japan as defined in Article 29-4, Paragraph 1, Item 4 (c) of the Financial Instruments and Exchange Act (including a person acting as a representative as defined in Article 65, Paragraph 1 of the same Act).

(Note 2) If any procedures were unable to be implemented, either of the following shall be included as the effect of the procedures not being implemented:

(Sentence 1)

We have implemented the procedures to verify that ____ Co., Ltd. has segregated customer assets in compliance with the applicable laws and regulations, etc., but have not implemented the procedures described below.

Notice

List the procedures that were unable to be executed and the details of their impacts.

As a result of implementing these procedures, we assert that, except for the items above, ____ Co., Ltd. has employed segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY.

(Sentence 2)

We have implemented the procedures to verify that ____ Co., Ltd. has segregated customer assets in compliance with the applicable laws and regulations, etc., but have not implemented the procedures described below.

Notice

List the procedures that were unable to be executed and the details of their impacts.

As a result of implementing these procedures, we do not assert that, in view of the importance of the items above, ____ Co., Ltd. has employed segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY.

(Note 3) The following shall be stated in the case of any non-compliance with laws and regulations, etc.

Because of the following items uncovered as a result of implementing these procedures, we assert that ____ Co., Ltd. has not employed segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY.

Notice

List the details of non-compliance with laws and regulations, etc. xxx

(For Audits under Association Rules, etc.)

Management Report on Compliance with the Laws and Regulations, etc. Concerning Segregated Management

Reiwa (or Western calendar) MM/DD/YYYY

____ Co., Ltd.

President and Representative Director ____ [Seal] (Note 1)

As the management (Note 1) of ____ Co., Ltd. (hereinafter the “Company”), pursuant to Article 43-2, Paragraph 2 of the Financial Instruments and Exchange Act in accordance with Article 123, Paragraph 1, Item 10 of the Cabinet Office Ordinance on Financial Instruments Business, etc. as set forth in Article 40, Item 2 of the Financial Instruments and Exchange Act, we are hereby responsible for the segregated management of customer assets in compliance with the following related laws and regulations and the rules of the Investment Trusts Association, Japan.

- Article 43-2, Paragraph 2 of the Financial Instruments and Exchange Act
- Article 138, Article 139, Article 141 (excluding, however, Paragraph 1, Item 3 and Items 10 through 13 and Paragraph 5 through Paragraph 7) and Article 141-3 of the Cabinet Office Ordinance on Financial Instruments Business, etc.
- August 2007 Notice No. 57 and No. 58 of the Financial Services Agency
- Article 12 of the Regulations for Direct Offerings, etc. of Beneficiary Certificates, etc.
- By-laws on Segregated Customer Trust Funds for Direct Offering, etc. of Beneficiary Certificates, etc.

We have the obligation to establish and operate an effective internal control system to comply with laws and regulations, etc., have entrusted segregated customer funds as of Reiwa (or Western calendar) MM/DD/YYYY and have the obligation to conduct segregated management.

The Company has implemented procedures to ensure that it applies segregated management to client assets in compliance with applicable laws and regulations, etc. (Note 2)

As a result of implementing these procedures, the Company represents that it employs segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY. (Note 3)

End of document

(Note 1) The term “management” means any director or executive officer who is responsible for the execution of business operations at the Company. For foreign companies, it means a representative in Japan as defined in Article 29-4, Paragraph 1, Item 4 (c) of the Financial Instruments and Exchange Act (including a person acting as a representative as defined in Article 65, Paragraph 1 of the same Act).

(Note 2) If any procedures were unable to be implemented, either of the following shall be included as the effect of the procedures not being implemented:

(Sentence 1)

We have implemented the procedures to verify that ____ Co., Ltd. has segregated customer assets in compliance with the applicable laws and regulations, etc., but have not implemented the procedures described below.

Notice

List the procedures that were unable to be executed and the details of their impacts.

As a result of implementing these procedures, we assert that, except for the items above, ____ Co., Ltd. has employed segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY.

(Sentence 2)

We have implemented the procedures to verify that ____ Co., Ltd. has segregated customer assets in compliance with the applicable laws and regulations, etc., but have not implemented the procedures described below.

Notice

List the procedures that were unable to be executed and the details of their impacts.

As a result of implementing these procedures, we do not assert that, in view of the importance of the items above, ____ Co., Ltd. has employed segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY.

(Note 3) The following shall be stated in the case of any non-compliance with laws and regulations, etc.

Because of the following items uncovered as a result of implementing these procedures, we assert that ____ Co., Ltd. has not employed segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY.

Notice

List the details of non-compliance with laws and regulations, etc. xxx

[Reference Form 2]

For where there are no events that affect compliance with the laws and regulations, etc. concerning segregated management as of the Base Date, but between the Base Date and the management report submission date, subsequent events do severely affect compliance with the laws and regulations, etc. concerning segregated management

(Omitted)

As a result of implementing these procedures, ____ Co., Ltd. represents that it employs segregated management for customer assets in compliance with applicable laws and regulations, etc. as of Reiwa (or Western calendar) MM/DD/YYYY.

Significant Subsequent Events

As of Reiwa (or Western calendar) MM/DD/YYYY, ____ Co., Ltd. is in the process of a merger by absorption, with ____ Co., Ltd. as the surviving company and ____ Co., Ltd. as the dissolved and absorbed company.

Attached Form 2

Application Date MM/DD/YYYY

To the Chairperson of the Investment Trusts Association, Japan

:

(Trade Name or Name)

(Representative)

Submission of a Segregated Management Audit Report

We received a separate management audit report for the Company on MM/DD/YYYY and will therefore submit it in accordance with the provisions of Article 11, Paragraph 8 of the Regulations for Direct Offerings, etc. of Beneficiary Certificates, etc.

(Attached documents: copy of the segregated management audit report and copy of the management report)

Attached Table 1: Notification of Sales Officers and Representatives (related to Article 4, Paragraph 1)

Application Date MM/DD/YYYY

Notification of Sales Officers and Representatives

Trade Name or Name

Telephone ()

Name	Furigana	Date of Birth	Date of Engagement
		MM/DD/YYYY	MM/DD/YYYY
		MM/DD/YYYY	MM/DD/YYYY

* Make a note of any maiden names or aliases used in business.

Attached Table 2: Notification of Change of Sales Officers and Representatives (related to Article 4, Paragraph 2)

Application Date MM/DD/YYYY

Notification of Change of Sales Officers and Representatives

Trade Name or Name

Telephone ()

Name	Furigana	Date of Disengagement (or date of change)	Remarks
		MM/DD/YYYY	
		MM/DD/YYYY	

* When there is a change in the name of a person included in a previous notification, enter the details of the previous notification (name) in the remarks column.

Also make a note if the old name is used for business after a name change.