

# Rules on Complex Investment Trusts Similar to Over-the-Counter Derivatives Transactions

Established on February 17, 2011

Revised on December 20, 2012

Revised on June 10, 2021

## Article 1. Purpose

The purpose of these Rules is to protect investors by thoroughly developing appropriate products and preparing appropriate disclosure materials for complex investment trusts similar to over-the-counter derivatives transactions and by ensuring proper public offerings or private placements of beneficiary certificates for investment trusts established by the Company in order to secure investor confidence in financial and capital markets.

## Article 2. Definition of Complex Investment Trusts Similar to Over-the-Counter Derivatives Transactions

In these Rules, the term “complex investment trusts similar to over-the-counter derivative transactions” means, among bonds with redemption or interest conditions set by derivatives transactions prescribed in Article 2, Paragraph 20 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, hereinafter referred to as the “FIEA”) or commodity derivative transactions prescribed in Article 2, Paragraph 15 of the Commodity Derivatives Transaction Act (Act No. 239 of 1950), or bonds structured by a method that has the same effect as such derivatives transactions, an investment trust that has the same merchantability as such structured bonds or an investment trust that has the same effect as such structured bonds by investing in such structured bonds as set forth in any of the following items (except when the bond is a government bond and any of the following apply due to deterioration of the credit status of either the issuing company or the relevant company if the bond has a mechanism that refers to the credit status of a single corporation):

- (a) Those for which the redemption price could be below face value (excluding those designed to have the fluctuation rate of redemption price correspond to the numerical value obtained by multiplying the fluctuation rate of the price or a specific index from the date of issue until redemption (hereinafter referred to as the “Benchmark Index”) by a preset multiple (limited to 1 or -1)) or those with conditions for redemption with other securities due to the automatic exercise of derivative trading rights, etc.
- (b) Those for which the interest is not fixed at time of issuance and for which redemption money is not paid in the same currency as the purchase currency (excluding those designed to have interest rate fluctuations correspond to fluctuation rate of the interest index.)
- (c) Those for which the interest is not fixed at time of issuance and for which interest is not paid in the same currency as the purchase currency (excluding those designed to have interest rate fluctuations correspond to fluctuation rate of the interest index.)
- (d) Those for which, depending on conditions, the interest rate will be zero or very close to zero (excluding those designed to have interest rate fluctuations correspond to fluctuation rate of the interest index.)

Article 3. General Rules for Direct Offerings, etc.

1. When soliciting new acquisition of beneficiary certificates of investment trusts among those established by the Management Company and managed under instructions from the settlor, investment trust management companies (meaning those defined in Article 2, Paragraph 11 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951), hereinafter a “Management Company”) and financial instruments intermediary service providers (meaning a financial instruments intermediary service provider as defined in Article 4, Paragraph 1, Item 1 of the Articles of Incorporation; the same shall apply hereinafter) shall fully understand the characteristics and risks of the investment trust and shall not solicit acquisition of those for which a suitable customer to acquire the investment trust cannot be supposed.
2. Management Companies and financial instruments intermediary service providers (hereinafter referred to as “Management Companies, etc.”) must fully explain to and strive to gain the understanding of customers regarding the significant matters of public offerings or private placements and other business of beneficiary certificates of investment trusts managed under instructions from the settlor established by the Management Company.

Article 4. Criteria for the Commencement of Solicitation

When soliciting customers (limited to individuals and excluding professional investors (meaning professional investors as defined in Article 2, Paragraph 31 of the FIEA (excluding those who are deemed to be a customer who is not a professional investor with regard to the types of contracts listed in Article 53, Item 1 or Item 2 of the Cabinet Office Order on Financial Instruments Business, etc. (Cabinet Office Order No. 52 of 2007; hereinafter the “Order on Financial Instruments Business”) in accordance with the provisions of Article 34-2, Paragraph 5 of the FIEA and including those who are deemed to be professional investors with regards to the types of contracts listed in Article 53, Item 1 and Item 2 of the Order on Financial Instruments Business in accordance with Article 34-3, Paragraph 4 of the FIEA (including when applied mutatis mutandis to Article 34-4, Paragraph 6 of the same act)); the same shall apply hereinafter in Article 5 and Article 6); the same shall apply hereinafter in this article) for the acquisition (limited to those conducted by visiting or telephoning a customer who has not requested the solicitation of said acquisition, and those conducted at the head office or other sales or business offices of the Management Company to a customer who has not requested the solicitation of said acquisition) of beneficiary certificates of complex investment trusts similar to over-the-counter derivatives transactions established by the Management Company, Management Companies, etc. shall set Guidelines for the Commencement of Solicitation and shall not solicit the acquisition to customers who do not meet the guidelines.

Article 5. Delivery of Alert Documents, etc.

1. When intending to conclude a contract involving the acquisition of complex investment trusts similar to over-the-counter derivatives transactions established by the Management Company, Management Companies, etc. must deliver alert documents to the customer (excluding professional investors; the same shall apply hereinafter in this article and the following article) in advance. Provided, however, that this shall not apply to cases where alert documents involving the acquisition of an investment trust with the same

details as such investment trust were delivered to the customer within one year of the conclusion of the investment for acquisition and the customer has agreed to not be issued a prospectus pursuant to the provisions of Article 15, Paragraph 2, Item 2 of the FIEA.

2. The alert documents described in the preceding paragraph must clearly and accurately indicate the following matters:
  - (1) Alerts regarding risk
  - (2) The fact that it is possible to use the service for complaint processing and dispute resolution from the Non-Profit Organization, Financial Instruments Mediation Assistance Center engaged in complaint and dispute resolution services entrusted by the Association in accordance with Article 12, Paragraph 2 and Article 13, Paragraph 2 of Operational Rules, and the contact information thereof
3. When Management Companies, etc. intend to conclude a contract regarding the acquisition of an investment trust with a customer, they shall provide advance explanations on the matters set forth in the items of the preceding paragraph in a manner and to the degree necessary for such customer to understand the matters in light of the customer's knowledge, experience, status of assets, and purpose for concluding the contract.
4. If a contract is concluded for the acquisition of an investment trust within one year of the delivery date for alert documents for an investment trust with the same contents as said investment trust (including the date that alert documents are deemed to have been delivered as set forth in this Paragraph), the provisions of the proviso to Paragraph 1 shall apply by deeming that alert documents were delivered on the date of conclusion.

#### Article 6. Obtaining Confirmation Documents from Customers

When intending to conclude a contract with a customer concerning the acquisition of complex investment trusts similar to over-the-counter derivatives transactions established by the Management Company, Management Companies, etc. shall obtain a confirmation document from the customer regarding the acquisition in order to obtain confirmation from the customer that they have understood the following matters and will make a purchase in response to the solicitation for acquisition at the discretion and responsibility of the customer.

- (1) Details of the significant matters in Article 3, Paragraph 2
- (2) Details in the contract stating that the customer can conduct transactions in light of the fact that, based on the amount of estimated loss through the contract (including the amount of a sale (early cancellation) in the event of a redemption before maturity (early cancellation) (provisional estimate)), the customer can tolerate the amount of the loss and the impact that the expected amount of loss will have on the customer's business or the state of the customer's finances or assets.

#### Article 7. Delivery of Documents via Electromagnetic Means, etc.

1. Management Companies, etc. may provide the matters to be included in alert documents via the electromagnetic means set forth in Article 56 and Article 57 of the Order on Financial Instruments Business in lieu of physical delivery, etc. of alert documents as prescribed in Article 5. In this case, the Management Company shall be deemed to have delivered the alert documents.
2. Management Companies, etc. may be provided the matters to be included in confirmation documents via the electromagnetic means set forth in Article 57-3 of the Order on Financial Instruments Business in lieu of

physical delivery, etc. of confirmation documents as prescribed in Article 6. In this case, the Management Company shall be deemed to have secured the confirmation documents.

#### Article 8. Applicable Benchmark Index

For complex investment trusts similar to over-the-counter derivatives transactions, the applicable Benchmark Index shall be used only when the investor can obtain such index through a newspaper, information terminal, website of the Management Company, information provided from distributors, and so forth.

#### Article 9. Naming Restrictions

The name of investment trusts for complex investment trusts similar to over-the-counter derivatives transactions (including any nicknames for investment trusts) shall not use a name that contains any of the following elements, such as “Secured principal type,” “Conditional principal secured type,” “Risk reduction type,” or “Risk limitation type.”

- (1) A name which could lead to a misunderstanding that the principal and yield or either the principal or yield of the investment trust are guaranteed
- (2) A name which could lead to a misunderstanding that the likelihood of loss of principal is small
- (3) A name which could lead to a misunderstanding that the fluctuation risk in the base value is low

#### Article 10. Improving Product Explanations to Distributors, etc.

1. Management Companies shall endeavor to further enhance product explanations to distributors regarding complex investment trusts similar to over-the-counter derivatives transactions.
2. For complex investment trusts similar to over-the-counter derivatives transactions, Management Companies shall collect information on complaints made to distributors regarding previous similar investment trusts established by the Management Company and analyze such information. Based on the results of such analysis, the Management Company shall endeavor to enhance product composition in consideration of complaints from investors, improve and reform newly established products, etc.

#### Article 11. Special Provisions for Disclosure, etc. of Specific Complex Investment Trusts Similar to Over-the-Counter Derivatives Transactions

Disclosure, etc. of complex investment trusts similar to over-the-counter derivatives transactions which are provided for in the By-laws shall be as provided for in the By-laws in addition to these Rules.

\* Article 2 of the By-laws

#### Article 12. By-laws

Necessary matters for the enforcement of these Rules shall be stipulated in the By-laws.

#### Article 13. Others

Any matters not stipulated for in these Rules may be decided by a resolution of the Board of Directors.

Article 14. Delegation to Competent Committee

1. The Board of Directors shall be entitled to delegate to the Self-Regulation Committee the authority to amend any By-laws relating to these Rules.
2. The Self-Regulation Committee shall promptly report to the Board of Directors, the contents of any decisions made by the Self-Regulation Committee with respect to any matters delegated thereto (limited to decisions deemed necessary by the Board of Directors. ).

Supplementary Provisions

1. These Rules shall come into effect on April 1, 2011.
2. If a Management Company intends to conclude a contract concerning the acquisition of an investment trust on or after the date of enforcement of these Rules and has delivered alert documents to the customer prior to the date of enforcement for these Rules in the same manner as the example in Article 5 after the date of enforcement, the Management Company shall be deemed to have delivered the alert documents to the customer pursuant to the provisions of that article.

Supplementary Provision

This amendment shall come into effect on January 4, 2013.

Supplementary Provision

This amendment shall come into effect on the date of approval (July 1, 2021) by the competent government agency for amendments to Articles of Incorporation.

\* The amended provisions are as follows:

Article 3, Paragraphs 1 and 2; Article 4; Article 5, Paragraphs 1 through 3; Article 6; Article 7, Paragraphs 1 and 2