

# Accounting Rules for Investment Trusts

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## Chapter 1: General Provisions

### Article 1 Purpose

The accounting processes and entry methods in preparing balance sheets, profit, loss, and surplus statements, and supplementary schedules for investment trust property (hereinafter referred to as “Financial Statements, etc.”) as well as the content and amounts recorded for each account title of an investment trust property shall be in accordance with the provisions of the Regulation on Calculation of Investment Trust Property (Prime Minister's Office Order No. 133 of 2000; hereinafter referred to as the “Rules for Investment Trust Financial Statements”) and these Rules.

### Article 2 Accounting Principles

The accounting processes and entry methods in preparing Financial Statements, etc. for investment trusts, etc. shall conform to the following principles:

- (1) Present a true statement of the state of assets and profits and losses
- (2) Prepare accurate accounting books for all transactions in accordance with the principle of orderly bookkeeping
- (3) Clearly state the accounting facts necessary to accurately determine the status of assets and profits and losses
- (4) Apply accounting principles and procedures and entry methods for Financial Statements, etc. continuously for each accounting period and do not change them without reason
- (5) If nothing is provided for in Rules for Investment Trust Financial Statements and these Rules, adhere to generally accepted accounting principles

### Article 3 Notes, etc. on Accounting Policies

1. Important accounting policies for preparing balance sheets and profit, loss, and surplus statements must be stated in the notes. However, this shall not apply to accounting policies which are adopted in principle.
2. When any changes occur to accounting policies involving balance sheets and profit, loss, and surplus statements, the reason for the change, and the amount of the increase or decrease resulting from the change must be stated in the notes. However, notes are not required if the effect of the change is minor.
3. The provision of the preceding paragraph shall apply mutatis mutandis to any change in the entry method for balance sheets and profit, loss, and surplus statements. In this case, “accounting policies” in the same paragraph shall be deemed to be replaced with “entry method”.

#### Article 4 Method for Including Notes

1. Matters to be noted as provided for in these Rules must be noted in balance sheets and profit, loss, and surplus statements.
2. In addition to what is provided for in these Rules, matters necessary for accurately determining the status of assets or profits and losses for an investment trust must be stated in the notes of balance sheets and profit, loss, and surplus statements.

#### Chapter 2: Balance Sheets

##### Article 5 Division

Balance sheets must include an assets section, a liabilities section, and a net asset section, all of which shall have totals.

##### Article 6 Assets Section

1. The assets section must be subdivided into account titles showing the nature of deposits, share certificates, national government bonds and other assets so as to show the contents of assets as clearly as possible.
2. The assets section can be subdivided into account titles showing deposits, share certificates, national government bonds and other assets as set forth in the By-laws and each account title shall record amounts, etc. as set forth in the By-laws.

\* Article 2 of the By-laws

##### Article 7 Liabilities Section

1. The liabilities section must be subdivided into account titles showing the nature of loans, advances received, accounts payable and other liabilities so as to show the state of liabilities as clearly as possible.
2. The liabilities section can be subdivided into account titles showing loans, advances received, accounts payable and other liabilities as set forth in the By-laws and each account title shall record amounts, etc. as set forth in the By-laws.

\* Article 3 of the By-laws

##### Article 8 Valuation of Investment Securities, etc. and Derivatives

Valuation of investment securities and other financial instruments, etc. (hereinafter referred to as “Securities, etc.”) and derivatives shall in principle be made at market value. However, this shall not apply to cases where investment trust contracts (hereinafter referred to as “Contracts”) are otherwise provided.

##### Article 9 Valuation of Foreign Currency Assets and Liabilities

Valuation of assets and liabilities denominated in foreign currencies shall be based on the exchange rate of the final day of the accounting period.

#### Article 10 Net Asset Section

1. The net asset section shall be divided into principal, stock price fluctuation reserve, price fluctuation reserve, and surplus or deficit.
2. The net asset section can be subdivided into account titles showing principal, stock price fluctuation reserve, price fluctuation reserve, surplus or deficit, and other net worth items as set forth in the By-laws and each account title shall record amounts, etc. as set forth in the By-laws.

\* Article 4 of the By-laws

#### Article 11 Definition of Principal

Principal is the amount calculated by multiplying the number of beneficiary rights on the final day of the accounting period by the amount per right specified in the Contracts.

#### Article 12 Definition of Stock Price Fluctuation Reserve and Price Fluctuation Reserve

The stock price fluctuation reserve or the price fluctuation reserve is the amount obtained by multiplying the amount exceeding the principal of the net asset amount by the percentage specified in the Contracts.

#### Article 13 Note on the Net Asset per Unit Amount

The balance sheet must contain the amount of the net asset per unit on the final day of the accounting period.

### Chapter 3: Profit, Loss, and Surplus Statement

#### Article 14 Division

1. The profit, loss, and surplus statement shall be divided into revenue and expenses and shall be calculated by deducting the total amount of expenses from the total amount of revenue to obtain the net profits or losses for the period in question. Adjusted net profits or losses shall be calculated by adding or subtracting the net profit or loss distribution amount due to early cancellation to the calculated amount.
2. Surplus at the end of a period shall be calculated by adding or subtracting the surplus or deficit at the start of the period, any increases or decreases from additional trusts during the period, any increases or decreases due to early cancellation during the period, and any distributions to the adjusted net profit.

#### Article 15 Account titles of Revenues and Expenses

1. Revenues and expenses for an investment trust must be subdivided into account titles with appropriate names that indicate the nature thereof.
2. Revenues and expenses may be subdivided into account titles as set forth in the By-laws and each account title shall record amounts, etc. as set forth in the By-laws.

\* Articles 5, 6 and 7 of the By-laws

#### Article 16 Recognizing Dividend Income

Dividend income shall be recorded on the day when the sale or purchase of said stock occurred.

Article 17 Recognizing Profit or Loss from Selling or Purchasing Securities, etc.

1. Profit or loss realized through the sale or purchase of Securities, etc. shall be recorded on the date the agreement was concluded.
2. Valuation losses or gains of Securities, etc. shall be recorded as profits or losses on the sale or purchase of Securities, etc. on the final day of the accounting period.

Article 18 Recognition of Profit or Loss on Derivative Transactions, etc.

1. Profit or loss realized through derivative transactions, etc. shall be recorded on the date the agreement was concluded.
2. Valuation losses or gains of derivative transactions, etc. shall be recorded as profits or losses on derivative transactions, etc. on the final day of the accounting period.

Article 19 Recognition of Profit or Loss in Foreign Exchanges

1. Foreign exchange profits or losses realized through forward exchange transactions shall be recorded on the date the agreement was concluded.
2. Valuation losses or gains of foreign exchange on assets and liabilities denominated in foreign currencies shall be recorded as foreign exchange profits or losses on the final day of the accounting period.

Article 20 Deleted

Article 21 Definition of the Net Profit Distribution Amount or Net Loss Distribution Amount upon Early Cancellation

The net profit distribution amount or net loss distribution amount accompanying an early cancellation shall be the amount of profit or loss for the period distributed via a partial early cancellation by the Consignor during the period.

Article 22 Definition of Increase or Decrease from Additional Trusts during the Current Accounting Period

The increase or decrease from additional trusts during the current accounting period shall be the increase or decrease to the surplus or deficit from the addition of a trust during the period.

Article 23 Definition of Increase or Decrease due to Early Cancellation during the Current Accounting Period

The increase or decrease due to early cancellation during the current accounting period shall be the amount of the increase or decrease to the surplus or deficit from an early cancellation during the period.

Article 24 Recording Distributions

1. Distributions of investment trusts shall be recorded in profit, loss, and surplus statements on the distribution determination date. Any unpaid amount of the distribution shall be recorded in the balance sheet as an unpaid

income distribution.

2. The basis for calculation of distribution shall be recorded in profit, loss, and surplus statements.

#### Chapter 4: Supplementary Schedules

##### Article 25 Supplementary Schedules to Be Prepared by the Investment Trust Management Company

1. The Investment Trust Management Company (meaning an investment trust management company as defined in Article 2, Paragraph 11 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951). ) must prepare the following supplementary schedules in addition to the supplementary schedules set forth in Article 57 of the Rules for Investment Trust Financial Statements. However, preparation of these supplementary schedules is not required when there are no transactions pertaining to these supplementary schedules:

- (1) Short selling securities schedule
- (2) Accounts receivable schedule
- (3) Unit Type Distribution Statement
- (4) Open Type Profit Distribution Statement
- (5) Status of transactions with interested parties, etc.

2. The supplementary schedules listed in the preceding paragraph shall be prepared in the form specified in the By-laws.

\* Article 8 of the By-laws

#### Chapter 5: Miscellaneous Provisions

##### Article 26 By-laws

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

##### Article 27 Others

Any matters regarding the accounting procedures for investment trusts not stipulated in these Rules may be decided by a resolution of the Board of Directors.

##### Article 28 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 any decision(s) made (limited to those deemed necessary by the Board of Directors) concerning any delegated matters.

Supplementary Provision

These Rules shall come into effect on December 1, 1998.

Supplementary Provision

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

Supplementary Provision

This amendment shall come into effect on March 18, 2005.

Supplementary Provision

This amendment shall come into effect on May 24, 2006.

Supplementary Provisions

This amendment shall come into effect on September 30, 2007.

However, any documents defined in Article 25, Paragraph 1, Item 1 prior to the revision intended for the calculation period whose preparation begun before the implementation date shall remain applicable.

Supplementary Provision

This amendment shall come into effect on November 16, 2007.

Supplementary Provision

This amendment shall come into effect on October 1, 2008.

Supplementary Provision

This amendment shall come into effect on January 16, 2009.

Supplementary Provision

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