

Rules on Real Estate Investment Trusts and Real Estate Investment Corporations

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Chapter 1: General Provisions

Article 1 Purpose

These Rules shall apply to investment trust management companies (meaning a settlor company of investment trusts as defined in Article 2, Paragraph 11 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, hereinafter referred to as the “Investment Trust Act”) and asset management companies as defined in Paragraph 21 of the same article) and trust companies that act as trustee companies for Investment Trusts that are not directed by the settlor (hereinafter referred to as the “Operating Company”). The purpose of these Rules is to establish matters necessary for the proper execution of business pertaining to REIT (Real Estate Investment Trusts) and Real Estate Investment Corporations (hereinafter referred to as “REIT, etc.”) and to smoothly implement a system pertaining to the REIT, etc., while protecting the investors.

Article 2 Basic Principles for Management

1. The Operating Company shall, for the beneficiary of the investment trust or the investment corporation, with loyalty and the due care of a prudent manager, direct the management or manage the assets (hereinafter referred to as “management, etc.” The same shall apply hereinafter in this Article and the following Article.) of a REIT or a real estate investment corporation (hereinafter referred to as the “Trust Property, etc.”)
2. In management, etc., of Trust Property, etc., the Operating Company shall be in compliance with the Financial Instruments and Exchange Act (Act No. 25 of 1948, hereinafter referred to as the “FIEA.”), and the Investment Trust Act and other laws and regulations as well as the various rules of this Association and shall give consideration to protecting the investors.

Article 2-2 System for Management of Trust Property, etc.

In management, etc., of Trust Property, etc., the Operating Company shall voluntarily conduct it and any person other than the Operating Company (excluding any person to whom the authority to make investment in whole or in part has been delegated under Article 42-3 of the FIEA and any person to whom the authority to make investment in part has been delegated under Article 55 of the Investment Trust Act) shall not be involved in the management, etc. of the Trust Property, etc.

Article 3 Definition

1. The term “REIT, etc.” as used in these Rules means an investment trust and an investment corporation whose purpose is to invest an amount exceeding one half of the total amount of the investment trust property or the assets of the investment corporation in real estate, etc. and asset-backed securities, etc. for which real estate, etc., is the primary investment target, as set forth in the Basic Terms and Conditions of Investment Trust (hereinafter referred to as the “Basic Terms and Conditions”) or the Certificate of Incorporation of the Investment Corporation (hereinafter referred to as the “Certificate of Incorporation”)
2. The term “Real Estates, etc.” as used in these Rules means the following assets:
 - (1) Real estate
 - (2) Rights of lease of real property
 - (3) Superficies rights
 - (4) Assets listed in the preceding three items based on foreign laws and regulations
 - (5) The beneficial interest in trusts in which the following assets are entrusted (including comprehensive trusts entrusted together with money incidental to real estate.)
 - (a) Real estate
 - (b) Rights of lease of real property
 - (c) Superficies rights
 - (d) Assets listed in items (a) through (c) based on foreign laws and regulations
 - (6) Beneficial interests in money trusts for the purpose of investing in the assets listed in items 1 to 4.
 - (7) Equity in investment in a silent partnership in real estate (meaning an equity in investment pertaining to a contract in which one of the parties promises to make a contribution to the investment in the assets set forth in the preceding six items that has been made by the other party, and the relevant other party invests the contributed property mainly in the relevant assets and distributes the profits that arise from the relevant investment. The same shall apply hereinafter.)
 - (8) Beneficial interests in money trusts whose purpose is to invest trust property primarily in the assets listed in Item 7.
 - (9) Assets similar in nature to those set forth in paragraphs 5 through 8 that are structured in accordance with the foreign laws and regulations.
 - (10) In the case stipulated in Article 194, Paragraph 2 of the Investment Trust Act, shares or capital contributions issued by a corporation stipulated in Article 221-2 of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Ordinance of the Prime Minister’s Office No. 129 of November 17, 2000) (hereinafter referred to as “Foreign Real Property Holding

Corporation”), whose assets are all real property and monetary claims, etc., pertaining to such real property (excluding those listed on the foreign financial instruments market and those registered, etc., on the over-the-counter financial instruments market established in foreign countries).

3. The term “asset-backed securities, etc., for which primary investment target is real estate, etc.,” used in these Rules, means the securities stipulated in each of the following items intended for investment in real estate, etc., in an amount exceeding one half of the assets and specified in said items:
 - (1) Preferred Equity Securities: Preferred equity securities stipulated in Article 2, Paragraph 9 of the Asset Securitization Act (Act No.105 of 1998; hereinafter referred to as the “the Asset Securitization Act”).
 - (2) Mother Fund Beneficiary Certificates: Beneficiary certificates of investment trusts as stipulated in Article 2, Paragraph 7 of the Investment Trust Act (including book-entry transfer beneficial interest in an investment trust; hereinafter referred to as “Beneficiary Certificates”), the purpose of which is to have the trustees of other specific Investment Trusts (hereinafter referred to as “Baby Funds”) acquire the Beneficiary Certificates of the Investment Trust, and that the trustee of the Investment Trust and the trustee of the Baby Fund that acquires the Beneficiary Certificates of the Investment Trust are the same and the Basic Terms and Conditions of the Baby Fund stipulate as such.
 - (3) Parent Investment Securities: Investment securities stipulated in Article 2, Paragraph 15 of the Investment Trust Act (including book-entry transfer investment equity), the purpose of which is to have other assets of a specified investment corporation (hereinafter referred to as a “Subsidiary Investment Corporation”) acquire such investment securities, and of which acquisition is stipulated in the Certificate of Incorporation of the Subsidiary Investment Corporation that acquires such investment securities of the investment corporation.
 - (4) Beneficiary Certificates of Special Purpose Trusts: Beneficiary certificates for special purpose trusts as stipulated in Article 2, Paragraphs 13 and 15 of the Asset Securitization Act (excluding those which invest in assets as stipulated in Items 5, 6 or 8 of the preceding paragraph and investments in the assets among those stipulated in Item 9 to be invested in the assets stipulated in Items 5, 6 or 8 of the preceding paragraph.)
 - (5) Securities of Equity in Investment in a Silent Partnership: Equity in investment in a silent partnership as stipulated in Article 2, Paragraph 2, Item 5 of the FIEA
 - (6) Assets similar in nature to those set forth in Paragraph 1 or 4 that are structured in accordance with the foreign laws and regulations.
4. The term “amount exceeding one half of the assets of investment trust property or investment corporation” as used in these Rules shall, in principle, be based on the amount exceeding one half of the total amount of assets obtained by adding or subtracting valuation gains or losses on real estate, etc., and other assets to the total assets of the REIT, etc., less the amount of security deposits or guarantee money temporarily deposited by the REIT, etc., (hereinafter referred to as “security deposits, etc.”)
5. The term “Listed, etc.” as used in these Rules means any of the following:
 - (1) Securities which can be traded in the financial instruments market established by a securities exchange, licensed and established in accordance with the provisions of Article 80 of the FIEA.
 - (2) Securities registered in the Registry of Over-the-Counter Traded Securities maintained by the Japan

Securities Dealers Association established with approval under the provisions of Article 67-2 of the FIEA

6. The term “Unlisted, etc.,” as used in these Rules means those that do not fall under any of the items of the preceding paragraph.
7. The term “Open-End Type Investment Trust” as used in these Rules means an investment trust for which the Basic Terms and Conditions of the investment trust stipulate that an additional trust may be created with respect to the investment trust property at the request of the investor or that the investment trust property may be partially cancelled at the request of the beneficiary for each specific period.
8. The term “Open-End Type Investment Corporation” as used in these Rules means an investment corporation whose Certificate of Incorporation stipulate that it shall issue investment equity at an amount that is fair in light of the contents of the assets of the investment corporation or that it shall make partial refunds of its investment equity in response to a partial refund request from an investor.
9. The “Closed-End Type Investment Trust” as used in these Rules means the investment trust that stipulates in the Basic Terms and Conditions for said investment trust that it will not accept requests for cancellation of investment trust property from the beneficiary, except for purchases made by exercising the beneficiaries’ right to request purchase as stipulated in Article 18 of the Investment Trust Act (including cases where it is applied mutatis mutandis pursuant to Articles 20 and 54 of the said Act.)
10. The “Closed-End Type Investment Corporation” as used in these Rules means an investment corporation that stipulates in its Certificate of Incorporation that it will not respond to requests for refund of investment equity except for the refund of investment equity based on the exercise of the right to request a refund by the investor specified in Article 141, Paragraph 1 or Article 149-3, Paragraph 1 of the Investment Trust Act.

Article 4 Accounting Rules for REIT, etc.

Accounting for REIT, etc., shall be carried out in accordance with the Ordinance on Accountings of Investment Trust Property (Cabinet Office Ordinance No. 133 of 2000; hereinafter referred to as the “Ordinance on Accountings of Investment Trust’s Financial Statements”), the Ordinance on Accountings of Investment Corporations (Cabinet Office Ordinance No. 134 of 2000; hereinafter referred to as “Ordinance on Investment Corporation’s Financial Statements”), these Rules, and other Rules this Association stipulates and generally accepted corporate accounting standards and other accounting practices.

Article 4-2 Proper Management of Documents

The Operating Company shall appropriately retain and manage the sales and purchase contracts, the appraisal reports obtained from third parties, the contracts with subcontractors and other documents necessary for the proper execution of the entrusted business pertaining to the properties held by the REIT, etc. that the management company is entrusted to manage (hereinafter referred to as the “Entrusted REIT, etc.”).

Article 5 Valuation of Real Estate Holdings

1. The valuation method to be used for calculating the fair value of real estate, rights of lease of real property and superficies rights held by REIT, etc. shall be the valuation method deemed appropriate for each asset among the following methods specified in the Basic Terms and Conditions and Certificate of Incorporation and they shall be valued by such valuation methods. However, this does not apply to REIT, etc. of private placements (meaning private placements stipulated in Article 2, Paragraph 3 of FIEA. The same shall apply hereinafter.).
 - (1) Appraised value based on appraisal by a real estate appraiser
 - (2) Appraised value based on actual transactions of similar properties in the neighborhood
 - (3) The amount reduced and adjusted based on the amount expected to be required if the property is re-procured at that time (limited to cases where a building is being valued.)
 - (4) Value calculated by the capitalization method (DCF Method or Direct Capitalization Method)
 - (5) Any combination of the valuation methods stipulated in the preceding items.
2. In principle, the valuation methods stipulated in the Basic Terms and Conditions or Certificate of Incorporation based on the provision of the preceding paragraphs shall not be changed in accordance with the principle of consistency.

However, another method of valuation may be adopted only when such method of valuation is no longer appropriate for a justifiable reason and when it can be reasonably determined that there is no problem in protecting investors.

3. When the valuation method specified in the Basic Terms and Conditions or Certificate of Incorporation has been changed based on the provision of the proviso to the preceding paragraph, the following matters shall be stated in the management report or asset management report (hereinafter referred to as the "Management Report, etc.") for the preparation period which includes the date on which the valuation method was changed.
 - (1) Facts and date of change in valuation method
 - (2) Specific details of the valuation method adopted before the change (hereinafter referred to as the "Pre-Change Valuation Method") and of the valuation method after the change (hereinafter referred to as the "Post-Change Valuation Method")
 - (3) Appraised value based on the Pre-Change Valuation Method and the Appraised Value based on the Post-Change valuation Method at the end of the accounting period
 - (4) Specific reasons for the change in the valuation method
 - (5) Other matters necessary for investor protection

Article 6 Valuation of Real Estate, etc.

1. The following assets held by REIT etc., shall be valued at the value specified in the respective items:
 - (1) Foreign assets stipulated in Article 3, Paragraph 2, Item 4: The value calculated by the valuation method deemed appropriate by the Operating Company from among the valuation methods stipulated in Article 5, Paragraph 1 (if such assets are denominated in foreign currencies, the value denominated in foreign currencies and the value converted into Japanese yen shall be indicated together.)
 - (2) The beneficiary interest of the trust stipulated in Article 3, Paragraph 2, Item 5: The value presented by

the trustee company.

- (3) The beneficiary interest in the money trust stipulated in Article 3, Paragraph 2, Item 6: The value presented by the trustee company.
 - (4) Equity in investment in a silent partnership in real estate as stipulated in Article 3, Paragraph 2, Item 7: The appraised value of such equity in investment in the silent partnership presented by the business operator of the silent partnership (value reflecting the settlement of accounts of such silent partnership)
 - (5) The beneficial interest in the money trust stipulated in Article 3, Paragraph 2, Item 8: The value presented by the trustee company.
 - (6) Assets stipulated in Article 3, Paragraph 2, Item 9: The value stipulated in the preceding four items (if such assets are denominated in foreign currencies, the value denominated in foreign currencies and the value converted into Japanese yen shall be indicated together).
 - (7) Assets stipulated in Article 3, Paragraph 2, Item 10: The appraised value of shares or capital contributions of the Foreign Real Property Holding Corporation presented by the business operator of the said Foreign Real Property Holding Corporation (value reflecting the settlement of accounts of the said Foreign Real Property Holding Corporation). If such assets are denominated in foreign currencies, the value denominated in foreign currencies and the value converted into Japanese yen shall be indicated together)
2. For valuation of the assets stipulated in items 2 through 7 of the preceding paragraph, if unavoidable circumstances arise, such as the inability to obtain a value for the said assets from the trustee company or business operator of the said assets, the Operating Companies may value such assets by the method of valuation specified in the By-laws.

* Article 2 of the By-laws

Article 7 Valuation of Asset-Backed Securities, etc.

1. The assets specified in each of the following items held by REIT, etc., shall be valued at the values specified respectively therein:
 - (1) Preferred equity securities as stipulated in Article 3, Paragraph 3, Item 1 shall be valued at the closing value on the stock exchange or over-the-counter market (hereinafter referred to as the "Listed Market") on the calculation date, or if this is difficult, at the price presented by the special purpose company.
 - (2) Mother Fund Beneficiary Certificates as stipulated in Article 3, Paragraph 3, Item 2 shall be the value of either the closing value on the Listed Market on the calculation date or the base value calculated based on the calculation method for base value as stipulated in these Rules.
 - (3) Investment securities as stipulated in Article 3, Paragraph 3, Item 3 shall be valued at the closing value on the Listed Market on the calculation date.
 - (4) Beneficiary certificates of special purpose trusts prescribed in Article 3, Paragraph 3, Item 4 shall be valued at the closing value on the Listed Market on the calculation date, or if this is difficult, at the price presented by the trustee company of the special purpose trust.
 - (5) Securities of equity in investment in a silent partnership as stipulated in Article 3, Paragraph 3, Item 5 shall be valued at the closing value on the Listed Market on the calculation date, or if this is difficult,

at the value presented by the business operator of the silent partnership (value reflecting the settlement of accounts of such silent partnership).

- (6) Assets stipulated in Article 3, Paragraph 3, Item 6 shall be valued at the value stipulated in items 1 or 4 according to the nature of said assets (if such assets are denominated in foreign currencies, the value shall be converted into Japanese yen.)
2. For valuation of the assets stipulated in Items 1, 3, 4 and 5 of the preceding paragraph, if unavoidable circumstances arises, such as the inability to obtain a value for the said assets from the trustee company or business operator of the said assets, the Operating Company may value such assets by the method of valuation specified in the By-laws.

* Article 3 of the By-laws

Article 8 Valuation of Other Assets

Assets other than those stipulated in Articles 6 and 7 shall be valued according to the respective asset valuation methods stipulated in the Rules concerning Valuation and Accounting of Investment Trust Property and the Rules on Infrastructure Investment Trusts and Infrastructure Investment Corporations (hereinafter referred to as the “Rules on IIT, etc.”) In this case, when REIT, etc., value infrastructure assets, etc., based on the Rules on IIT, etc., “Infrastructure Investment Trusts, etc.” shall be deemed to be replaced with “REIT, etc.” and applied. However, when it is difficult to value by such method, it shall be valued in accordance with generally accepted corporate accounting standards and other accounting practices.

Article 9 Preparing an Asset Management Plan

1. In managing REIT, etc., the Operating Company shall prepare an Asset Management Plan for each REIT, etc., and endeavor to manage REIT, etc., in accordance with the plan.
2. The Asset Management Plan provided in the preceding paragraph shall contain the following matters:
 - (1) The period scheduled for the Asset Management Plan
 - (2) Investment policy for REIT, etc.
 - (3) Attributes of real estate, etc., and asset-backed securities, etc., assumed to be investment targets
 - (4) Valuation method of assets held
 - (5) Standards for replacement of real estate holdings, etc., and asset backed securities, etc., held
 - (6) Policy for formulating a Long-Term Repair Plan for the real estate holdings, etc., the total amount of the estimated reserves for the said Long-Term Repair Plan for the real estate holdings, etc., during the accounting period, and the amount of planned reserves for each accounting period.
 - (7) Policy for Formulation of Plans for Borrowing and Repayment of Funds (including plans for issuance and redemption of investment corporation bonds (including book-entry transfer investment corporation bonds; the same shall apply hereinafter) the same shall apply hereinafter)

The current plan for borrowing and repayment of funds shall be described as reference information

- (8) If the Asset Management Plan is revised, the date of such revision and the specific reasons for such revision

(9) Other matters deemed necessary for protection of investors

3. The period stipulated in Item 1 of the preceding paragraph shall be a period of 10 years or more, which is deemed appropriate in light of the product attributes of the said REIT, etc.

Provided, however, that with regard to REIT, etc. for which a trust period or duration is less than 10 years in the Basic Terms and Conditions or Certificate of Incorporation, such trust period or duration shall apply.

Article 10 Public Inspection of Asset Management Plan

The Operating Company shall keep the Asset Management Plan, which was formulated in accordance with the provisions of the preceding article, at the principal headquarters and branch offices and make it available for public inspection by the beneficiary or the investor of the said REIT, etc., upon their request.

Article 11 Disclosure of Long-Term Repair Plan, etc.

1. The Operating Company shall specify in its Management Report, etc., pertaining to REIT, etc., the amount accumulated on the last day of each accounting period based on the Long-Term Repair Plan, etc., for the real estate holdings, etc., as stipulated in Article 9, Paragraph 2, Item 6 for each accounting period for a period of five years or more before the last day of said accounting period.
2. Notwithstanding the provision of the preceding paragraph, with regard to REIT, etc., whose operation period or duration from the establishment thereof is less than five years, the amount accumulated during the period from the date of establishment thereof until the end of the relevant accounting period, shall be stated for each accounting period.

Article 12 Depreciation of Real Estate Holdings

1. The amount of depreciation of real estate holdings shall be calculated by the straight-line method for buildings (excluding auxiliary equipment) and by the straight-line method or the declining-balance method for equipment, etc.

The method of calculating the amount of depreciation of equipment, etc., shall be specified in the Basic Terms and Conditions or Certificate of Incorporation.

2. Based on the provisions of provisory clause in the preceding paragraph, no changes shall be made to the method of calculating the amount of depreciation of equipment, etc., specified in the Basic Terms and Conditions or Certificate of Incorporation.

However, another method of calculation may be adopted only when such method of calculation is no longer appropriate for a justifiable reason and when it can be reasonably determined that there is no problem in protecting investors.

3. The provision of Paragraph 3 of Article 5 shall apply mutatis mutandis to any change in the method of calculation of the amount of depreciation in accordance with the provision of the preceding paragraph. In this case, the terms “valuation method,” “Pre-Change Valuation Method” and “Post-Change Valuation Method” in the same paragraph shall be deemed to be replaced with “calculation method,” “Pre-Change Calculation Method” and “Post-Change Calculation Method” respectively.

Article 12-2 Deleted

Article 13 Correction of Book Value of Real Estate Held at the End of Accounting Period

The Operating Company shall correct the book value of the real estate, etc., held at the end of the accounting period to the amount calculated by deducting the amount of depreciation calculated by the calculation method stipulated in the Basic Terms and Conditions or Certificate of Incorporation based on the provisions of the preceding article from the amount at the beginning of the accounting period.

Article 14 Correction of Book Value of Securities Held at the End of Accounting Period

1. The Operating Company shall re-valuate the trading securities it holds at the end of the accounting period to market value, correct the book value, and add the gain on valuation of securities to the gain on securities transactions and the loss on valuation of securities to the loss on securities transactions, respectively.
2. Other securities held shall be recorded as valuation and translation differences, etc., as stipulated in Article 20, Paragraph 5 of the Ordinance on Accountings of Investment Trust's Financial Statements or Article 39, Paragraph 6 of the Ordinance on Investment Corporation's Financial Statements, in the amount calculated by deducting the book value of such securities from the amount valued by the method stipulated in these Rules at the end of the accounting period.

Article 15 Calculation of Useful Life of Real Estate Holdings

The useful life of the real estate holdings shall be determined appropriately, taking into consideration the following matters:

- (1) Status of acquisition (Number of years elapsed before acquisition, etc.)
- (2) Status of implementation or schedule of repairs, etc.
- (3) Structure of the real estate
- (4) Useful life in accordance with Article 56 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965) and the Ministerial Ordinance Concerning the Useful Life etc., of Depreciable Assets (Ministerial Ordinance No. 15 of 1965)

Article 16 Other Asset Management Methods

When assets other than real estate, etc., are held, the management method of such assets shall be in accordance with what is stipulated in the Rules on Management of Investment Trusts, etc., and the Rules on IIT, etc.

Article 17 Restrictions on Beneficiary Certificate of Investment Trusts, etc.

When Beneficiary Certificates other than Mother Fund Beneficiary Certificates stipulated in Article 3, Paragraph 3, Item 2 or investment securities other than the parent investment securities stipulated in Article 3, Paragraph 3, Item 3 are incorporated in REIT, etc., such incorporation shall be limited to cases where the following requirements are satisfied:

- (1) The total amount of securities held by any one REIT, etc., (excluding the securities stipulated in Article

3, Paragraph 2, Items 5 through 9) including Beneficiary Certificates and investment securities shall be less than 50% of the total amount of assets of such REIT, etc.

- (2) The amount invested by any one Operating Company in any one Investment Trust or Investment Corporation shall be less than fifty percent (50%) of the total amount of Beneficiary Certificates or investment securities issued by the Investment Trust or Investment Corporation into which such Operating Company invests in all of the Investment Trust Property managed by such Operating Company and the assets of the Investment Corporation to which the management of such Operating Company is entrusted.
- (3) Shall not be Beneficiary Certificates or investment securities held mutually or in circulation among investment trusts or investment corporations.
- (4) The Beneficiary Certificates or investment securities shall satisfy the requirements stipulated in the following items (a) and (b):
 - (a) Shall not be Beneficiary Certificates of an investment trust that the Operating Company manages for itself, or the investment securities of investment corporations entrusted
 - (b) Shall not be investment trust beneficiary certificates or investment securities of investment corporations that are primarily intended to be invested in other Beneficiary Certificates or investment securities, except for funds of funds as defined in the Rules on Management of Investment Trusts, etc.

Article 18 Borrowing of Funds

1. The borrowing of funds by REIT, etc., shall be limited to cases where such borrowing is necessary for the management, etc., of Trust Property, etc., and shall be carried out with due consideration of the soundness of such Investment Trust Property, etc., or the assets of the investment corporation.
2. If the Operating Company borrows funds for REIT, etc., the Operating Company shall state the following matters for each such borrowing in the Management Report, etc., for the accounting period:
 - (1) Reasons for borrowing
 - (2) Date of borrowing
 - (3) Amount of borrowing
 - (4) Lender
 - (5) If the assets held are pledged, the name and appraised value of the assets pledged as collateral
 - (6) Interest rate for borrowing
 - (7) Method of repayment
 - (8) Repayment period

Article 19 Time to Record the Losses and Gains on Sale and Purchase of Real Estate, Etc.

Losses and Gains on sale and purchase of real estates, rights of lease of real property and superficies rights shall be recorded on the day of delivery.

Article 20 Time to Record Key Money, etc., Generated from Lease Contracts for Real Estate Holdings,

etc.

Key money or rights money (hereinafter referred to as “Key Money, etc.”) generated from the lease contract of the real estate, etc., held shall be recorded as revenue over the corresponding period according to its nature thereof, or when it is determined that such Key Money, etc., shall not be returned to the lessee, etc., the amount determined not to be returned shall be recorded as revenue.

Article 21 Security Deposits, etc., Generated from Lease Contracts for Real Estate Holdings, etc.

With respect to security deposits, etc., temporarily received in trust property or assets such as REIT, etc., such amount shall be recorded in the assets section and the amount equivalent to such amount shall be recorded in the liabilities section as repayment obligations.

Article 22 Repair Costs for Real Estate Holdings

When repairs to real estate etc., held (excluding capital expenditures; the same shall apply hereinafter) takes place, in principle, the expenses for said repair shall be recorded in the period in which such repairs occurred.

Article 23 Capital Expenditures Pertaining to Real Estate Holdings, etc.

If capital expenditures are made for real estate holdings, etc., during the accounting period, the amount equivalent to the expenses required for such capital expenditures shall be added to the book value of such real estate, etc., at the end of the preceding accounting period.

Article 24 Disclosure of Capital Expenditures for Real Estate Holdings etc.

1. When the implementation plan for capital expenditure (excluding capital expenditures that can be recorded as deductible expenses for repair reserves, etc.) specified in the By-laws has been finalized for the real estate holdings, etc., the following matters shall be stated in the Management Report, etc., and prospectus delivered to investors prior to the execution of such capital expenditures:
 - (1) Name and location of the real estate for which capital expenditure is to be made
 - (2) Purpose of capital expenditure
 - (3) Scheduled period
 - (4) Estimated amount
 - (5) Estimated amount of increase in the book value of said real estate after capital expenditures
2. When it becomes necessary to make capital expenditures on real estate that is held due to a natural catastrophe, etc., public notice to that effect shall be given promptly in the manner set forth in the Basic Terms and Conditions, etc., and the matters set forth in the respective items of the preceding paragraph shall be stated in the Management Report, etc., for the accounting period in which the day it becomes necessary to make capital expenditures falls.
3. The provision of Paragraph 1 shall apply mutatis mutandis to cases where an implementation plan pertaining to capital expenditures is completed. In this case, the term “when the implementation plan has been finalized” in the main clause of Paragraph 1 shall be deemed to be replaced with “when the implementation plan is completed,” the term “prior to the execution” shall be deemed to be replaced with

“after the execution,” the term “real estate for which capital expenditure is to be made” in Item 1 of the same paragraph shall be deemed to be replaced with “real estate for which capital expenditure was made,” the term “purpose of capital expenditure” in Item 2 shall be deemed to be replaced with “purpose for which capital expenditure was made” the term “scheduled period” in Item 3 shall be deemed to be replaced with “period”; the term “estimated amount” in Item 4 shall be deemed to be replaced with “amount,” and the term “estimated amount of increase” in Item 5 shall be deemed to be replaced with “amount of increase.”

* Article 4 of the By-laws

Article 24-2 Restrictions on Countries and Regions Subject to Investment

In the event that the Operating Company gives instructions to acquire real estate, etc., located outside Japan or asset-backed securities, etc., for which the primary investment target is real estate, etc., located outside Japan (hereinafter referred to as “Foreign Real Estate, etc.”) for the purpose of investment in the Entrusted REIT, etc., the country or region where such property is located must satisfy the following requirements:

- (1) Laws, etc. must be in place to properly secure rights related to the use, income, and disposal of real estate, etc.
- (2) A registration system, etc., must be in place in order to assert the details of the rights pertaining to real estate, etc., against a third party.
- (3) Legal systems, etc. shall be in place to properly conclude and fulfill transaction contracts related to real estate, etc.
- (4) The rate of exchange for the currency to be used in the transaction shall be properly published and may be converted into Japanese currency if necessary without delay.
- (5) An environment that allows for the proper settlement and remittance of funds shall be in place.
- (6) A dispute resolution system such as a court system shall be in place.

Article 24-3 Matters to Observe Regarding Acquisition of Foreign Real Estate, etc.

When the Operating Company gives instructions to acquire Foreign Real Estate, etc., through Entrusted REIT, etc., the matters specified in each of the following items shall be observed in order to protect the beneficiaries and investors:

- (1) Conduct the same level of research as when acquiring properties in Japan.
- (2) Obtain basic materials such as appraisal reports, etc., with the same level of information details and accuracy as when acquiring properties in Japan.
- (3) Take necessary measures for appropriate management and collection of leases, etc., such as selecting a local agent in accordance with the actual circumstances of the local countries and regions.
- (4) Take necessary measures to properly obtain information on the local countries, regions, and the property.

Article 24-4 Development of Internal System for Operating Company of Investment Corporation which

Invests in Foreign Real Estate, etc.

When the Operating Company gives instructions to acquire Foreign Real Estate, etc., through Entrusted REIT, etc., an internal system capable of appropriately performing the matters specified in each of the following items must be established:

- (1) Disclosure of information on Foreign Real Estate, etc., and local countries and regions.
- (2) Retention in Japan of records of business communications, etc., with asset management companies, etc., in local countries and regions.
- (3) Acquisition of information from the local countries and regions and timely and appropriate response to such information.
- (4) Timely disclosure regarding occurrence of disasters, etc.

Article 24-5 Special Provisions for Health Care Facilities

In the event that the Operating Company invests in health care facilities (meaning “housing for the elderly with services” as defined in Article 5 of the Act on Stable Supply of Residences for the Elderly (Act No. 26 of 2001), a “fee-based home for the elderly” as defined in Article 29 of the Act on Social Welfare for the Elderly (Act No. 133 of 1963) and “group homes for the elderly with dementia” as defined in Article 5-2, Paragraph 6 of the said Act, and hereinafter referred to as “Health Care Facilities”) as investment targets for REIT, etc., the Management Company shall establish an internal system capable of appropriately performing the matters set forth in the following items in accordance with the scale and nature of the business concerned.

- (1) Measures that take the actual circumstances, etc., of the business operator who operates the Health Care Facilities (hereinafter referred to as “operator”) into consideration in obtaining necessary information from the operator when investing in Health Care Facilities.
- (2) Provision of information to facility users and other measures to ensure that the inclusion of Health Care Facilities as investment targets for REIT, etc., does not cause anxiety among facility users.
- (3) Disclosure to investors of circumstances specific to Health Care Facilities in addition to general disclosure items

Chapter 2: Investment trust

Section 1. General Provisions

Article 25 Minimum Net Asset Value of REIT

1. In principle, the minimum amount of net assets to be held by the real estate investment trust at all times (hereinafter referred to as the “Minimum Net Asset Value”) shall be 100 million yen.

However, this shall not apply to a privately placed real estate investment trust.

2. In the case of a REIT, if the amount of such net asset value falls below the Minimum Net Asset Value stipulated in the preceding paragraph, no instructions for the borrowing of new funds or distribution of profits shall be given until the amount of net assets exceeds the Minimum Net Asset Value.

Section 2. Closed-End Type Investment Trusts

Article 26 Calculation Method for the Base Value of Closed-End Type Investment Trusts

The base value for a Closed-End Type Investment Trust shall be the quotient obtained by dividing the total amount of assets, plus or minus gains or losses on valuation of assets required to be valued at the market value under laws and regulations for securities, etc., less depreciation and debts pertaining to real estate holdings, by the total number of units of beneficial interest.

Article 27 Profit Distribution Sources for Closed-End Type Investment Trusts

Closed-End Type Investment Trusts may distribute in full the amount obtained (hereinafter referred to as "Investment Trust Income") by deducting the total amount of expenses, depreciation, and deficit carried forward for the relevant accounting period for taxes and levies, etc., (including the interest expense for the relevant accounting period; the same shall apply hereinafter) from the total amount of profit or loss on sales of retained real estate, etc., lease revenue, (including Key Money, etc., or security deposits, etc., determined not to be returned to the lessee, etc.; the same shall apply hereinafter), gain or loss on securities transactions, interest and dividends on retained real estate and retained securities, etc., and profit carried forward.

Article 28 Refund of Investment Principal of Closed-End Type Investment Trusts

1. A Closed-End Type Investment Trust shall be entitled to refund the investment principal up to an amount equivalent to 60% of the amount of depreciation to be recorded at the end of the accounting period.
2. For privately placed Closed-End Type Investment Trusts, if the amount of Investment Trust Income is less than the amount of income calculated for tax purposes, notwithstanding the provisions of the preceding paragraph, the principal of investment in combination with the Investment Trust Income amount may be refunded up to the amount calculated based on the Tax Act.

Article 28-2 Measures for Continuous Refund of Investment Principal for Each Period

In the event that the investment principal prescribed in Paragraph 1 of the preceding article is refunded every period on a continuous basis, the following matters must be observed:

- (1) The distribution policy in the Basic Terms and Conditions shall mention that the investment principal shall be refunded every period on a continuous basis, and describe the concept thereof.
- (2) As a policy for the implementation of continuous refunds of investment principal each period, internal rules, etc., shall be established that stipulate the distribution of profits and disclosure of investment principal refunds categories and other matters specified in the By-laws.
- (3) The concept of implementing continuous refunds of investment principal each period shall be mentioned in the securities registration statement, annual securities report, and prospectus, as well as disclosed on the website, etc., upon presenting objective grounds based on rational data, etc., (past data on settlements, engineering reports, etc.)

In addition, in order to make it easy to understand that this is a refund of the investment principal, efforts shall be made to use simple expressions such as illustrations.

- (4) When making a continuous refund of the investment principal each period, the Management Report

shall clearly state that the money is not a distribution of profit but a refund of investment principal, and explanatory notes, etc., shall be made in the relevant section of the Management Report, upon presenting objective grounds for the validity of the standard for such refund based on rational data, etc. (past data on settlements, engineering reports, etc.)

- (5) When making a continuous refund of the investment principal each period, consideration shall be given so as not to affect the long-term repair plan stipulated in Article 9, Paragraph 2, Item 6, and explanatory notes, etc., shall be made in the relevant section of the Asset Management Plan and the Management Report so that investors can understand the concept, upon presenting objective grounds for such concept based on rational data, etc. (past data on settlements, engineering reports, etc.)

* Article 5 of the By-laws

Article 28-3 Refund of Investment Principal Other Than Continuous Refund of Investment Principal Each Period

When making refund of the investment principal in a manner other than continuous refund of the investment principal each period as stipulated in the preceding article, sufficient consideration shall be given to the matters stipulated in the By-laws as set forth in Item 2 of the preceding article.

The Management Report shall clearly state that the money is not a distribution of profit but a refund of investment principal, and explanatory notes, etc., shall be made in the relevant section of the Management Report upon presenting objective grounds and reasons for the validity of the standard for such refund of the investment principal.

Article 29 Method of Recording Lease Revenue for Closed-End Type Investment Trusts

Lease revenue generated from real estate holdings shall be recorded as revenue in the amount corresponding to the accounting period.

Article 30 Method of Recording Taxes and Levies for Closed-End Type Investment Trusts

1. Taxes and levies such as fixed asset taxes, etc., that are constantly incurred on the real estate held shall be recorded as expenses in an amount corresponding to such accounting period.
2. Taxes and levies such as real estate acquisition taxes, etc. which are temporarily incurred by acquisition or sale of real estate shall be recorded as expenses on the date the payment of such taxes and levies is finalized. However, any future fixed property tax, real estate acquisition tax, registration and license tax at the time of acquisition of real estate, etc., may be recorded as the acquisition value.

Article 31 Method of Recording Trust Fees for Closed-End Type Investment Trusts

Trust fees shall be recorded as expenses for each accounting period in the amount corresponding to such accounting period.

Article 32 Trust Management Fee for Real Estate, etc., Held by Closed-End Type Investment Trusts

The trust management fee for the real estate, etc., held shall be recorded as expenses in the amount

corresponding to the relevant accounting period in accordance with the details of the trust management agreement.

Article 33 Frequency of Calculation for Base Value for Listed Closed-End Type Investment Trusts

Listed Closed-End Type Investment Trusts shall calculate and publish the base value at the end of each accounting period and at the end of the interim accounting period.

Article 34 Frequency of Calculation for Base Value of Unlisted Closed-End Type Investment Trusts

The unlisted Closed-End Type Investment Trusts (excluding privately placed investment trusts) shall calculate and publish the base value at the end of each accounting period and interim accounting period, and at the end of each month.

Section 3. Open-End Type Investment Trust

Article 35 Matters to Be Noted in Management of Open-End Type Investment Trusts

In managing assets such as real estate, etc. and asset-backed securities in Open-End Type Investment Trusts, attention shall be paid to the liquidity of the assets to be managed, and that effect shall be stipulated in the Basic Terms and Conditions.

Article 36 Method of Calculating the Base Value of Open-End Type Investment Trusts

The base value of an Open-End Type Investment Trusts shall be the amount obtained by adding or subtracting the valuation profit or loss on the assets held to/from the total amount of assets (for real estate held, etc., the amount shall be the value of the said real estate, etc., calculated in accordance with the provisions of Article 5, less the amount obtained by deducting the depreciation expenses for the period from beginning of the accounting period to which the relevant calculation date belongs until the calculation date from the book value; the same shall apply hereinafter) and subtracting any liabilities from the amount and dividing it by the total number of units of beneficial interest.

Article 37 Profit Distribution Sources and Refund of Investment Principal of Open-End Type Investment Trusts

1. The distributable amount of profit from an Open-End Type Investment Trust shall be within the range of any of the larger amounts calculated based on the calculation methods listed in the following items:
 - (1) The entire amount obtained by deducing the total amount of expenses relevant to the accounting period, such as taxes and levies, depreciation expenses for the current period and deficit carried forward, from the total amount of profits or losses on sales and purchases of real estate held, etc., lease revenue, gains or losses on securities transactions, interest and dividends on real estate held etc. and securities held, valuation profits or losses on assets held at the end of the accounting period (for real estate, rights of lease of real property, and superficies rights, the amount obtained by deducting the book value (the amount obtained by deducting the depreciation amount for the relevant accounting period) from the

valuation price of the asset calculated in accordance with the provisions of Article 5), and profit carried forward.

- (2) The total amount of profits or losses on sale and purchase of real estate held, etc., lease revenue, gains or losses on securities transactions, interest and dividends etc., on real estate held etc., and securities held, and profit carried forward incurred during the accounting period, less the total amount of expenses, depreciation and losses carried forward for the accounting period such as taxes and levies.
2. With respect to privately placed Open-End Type Investment Trusts, if the distributable amount of profit prescribed in the preceding paragraph is less than the amount of income calculated for tax purposes, notwithstanding the provisions of the preceding paragraph, the investment principal together with the distributable amount of profit may be refunded up to the amount of income calculated for such tax purposes.

Article 37-2 Refund of Investment Principal of Open-End Type Investment Trusts Privately Placed by Qualified Institutional Investors

1. Open-End Type Investment Trusts privately placed by qualified institutional investors (meaning private placements by qualified institutional investors as stipulated in Article 2, Paragraph 9 of the Investment Trust Act; the same shall apply hereinafter) may be distributed as refund of the investment principal up to the amount equivalent to the depreciation expense to be recorded at the end of the accounting period.
2. When the investment principal is refunded based on the provisions of the preceding paragraph, the Management Report shall clearly state that the money is not a distribution of profit but a refund of investment principal, and shall strive to prevent the investor from confusing such money with distribution of profits.

Article 38 Mutatis Mutandis Application of Open-End Type Investment Trusts

The provisions of Article 29 shall apply mutatis mutandis to the recording of lease revenue from Open-End Type Investment Trusts, the provisions of Article 30 shall apply mutatis mutandis to the recording of taxes and levies, the provisions of Article 31 shall apply mutatis mutandis to the recording of trust fees, and the provisions of Article 32 shall apply mutatis mutandis to the recording of trust management fees.

Article 39 Frequency of Calculation for Base Value for Open-End Type Investment Trusts

In principle, the base value of Open-End Type Investment Trusts shall be calculated and published on the last date of each accounting period and the last date of the interim accounting period as well as the date specified in the Basic Terms and Conditions on which investors and beneficiaries are able to directly apply for establishment of additional trust or partial early cancellation of the investment trust property, as well as five business days prior to the date.

Article 40 Value of Establishment or Early Cancellation of Open-End Type Investment Trusts

If additional establishment or partial early cancellation of the investment trust property is directly made during the accounting period or at the end of the accounting period based on requests from the investors and the

beneficiaries, such additional establishment or partial early cancellation shall be made using the base value on the date when the request is made.

Chapter 3: Investment Corporation

Section 1. Closed-End Type Investment Corporation

Article 41 Method of Calculating the Base Value of Closed-End Type Investment Corporations

The provisions of Article 26 shall apply mutatis mutandis to the method of calculating the base value of Closed-End Type Investment Corporations. In this case, the term “Closed-End Type Investment Trust” in the article shall be deemed to be replaced with “Closed-End Type Investment Corporation” and the term “total number of units of beneficial interest” in said article shall be deemed to be replaced with “number of investment units issued.”

Article 42 Profit Distribution Sources for Closed-End Type Investment Corporations

1. A Closed-End Type Investment Corporation may distribute the entire amount of profits (meaning profits as defined in Article 136, Paragraph 1 of the Investment Trust Act; the same shall apply hereinafter)
2. Notwithstanding the provisions of the preceding paragraph, in the event of discrepancy between book and tax accounting (meaning discrepancies stipulated in Article 2, Paragraph 2, Item 29 of the Ordinance on Investment Corporation’s Financial Statements; the same shall apply hereinafter), a Closed-End Type Investment Corporation may take any of the following actions:
 - (1) The amount equivalent to the increase in the allowance for temporary difference, etc. adjustments (meaning what is stipulated in Article 2, Paragraph 2, Item 30 of the Ordinance on Investment Corporation’s Financial Statements; the same shall apply hereinafter) shall be distributed by applying it to the unappropriated retained earnings in the amount of profit stipulated in the preceding paragraph.
 - (2) The amount equivalent to the reserve for temporary difference adjustments (meaning what is stipulated in Article 2, Paragraph 2, Item 31 of the Ordinance on Investment Corporation’s Financial Statements; the same shall apply hereinafter) shall be reserved by subtracting the amount as voluntary retained earnings from the unappropriated retained earning in the amount of profit stipulated in the preceding paragraph.

Article 42-2 Settlement of Foreign Income Tax of Closed-End Type Investment Corporations

A Closed-End Type Investment Corporation that has paid foreign income tax in the country where its assets are located during the period shall calculate the following data at the end of the period:

- (1) Ratio of assets denominated in foreign currencies

The net assets denominated in foreign currencies at the end of the period (the amount obtained by subtracting the amount of yen-denominated assets from the amount recorded as total assets in the balance sheet for the relevant accounting period) divided by total net assets of trust property at the end of the period (recorded as total assets in the balance sheet for the relevant accounting period). The upper limit shall be 1 and maximum one digit of integer with decimal numbers truncated beyond the fourth

decimal place.

(2) Foreign Income Tax per Yen of Distribution

Foreign income taxes during the period (the total amount of foreign income taxes paid by the investment corporation from the beginning to the end of the period) divided by the amount of dividends (the amount recorded as the amount of dividends in the statement of cash distributions for the relevant accounting period.) Maximum one digit of integer with decimal numbers truncated beyond the tenth decimal place. When the ratio of assets denominated in foreign currencies is 0, foreign income tax per yen of distribution shall also be 0.

(3) Domestic Income Tax per Yen of Distribution

The amount obtained by dividing the amount of domestic income tax at the end of the period by the amount of dividends (Amount recorded as the amount of cash distributions in the statement of cash distributions for the relevant accounting period). Maximum one digit of integer with decimal numbers truncated beyond the tenth decimal place

Article 42-3 Communication on Settlement of Accounts for Foreign Income Tax for Closed-End Type Investment Corporations

1. Data calculated in accordance with the provisions of the preceding article shall be converted into a csv file along with other data on payment of dividends on the date the financial statements are approved by the board of officers and communicated to the sales companies. In this case, the starting date for payment of dividends shall be the day after the expiration of 15 business days from the closing date.
2. The csv file communicated to the sales companies pursuant to the provisions of the preceding paragraph shall be posted on the website of the investment corporation on the date the financial statements are approved by the board of officers.

Article 43 Refund of Capital Contributions Which Falls Under the Category of Distribution for Reduction of Capital Contributions etc., under the Tax Act for Closed-End Type Investment Corporations

A Closed-End Type Investment Corporation shall be entitled to make refunds of capital contributions which fall under the category of distributions for reduction of capital contributions, etc., under the Tax Act, up to an amount equivalent to 60% of the amount obtained by deducting the total amount of accumulated depreciation calculated at the end of the previous accounting period from the total amount of accumulated depreciation recorded at the end of the accounting period.

Article 43-2 Treatment of Reversal of the Reserve for Temporary Difference Adjustments and Reversal of the Allowance for Temporary Difference Adjustments for Closed-End Type Investment Corporations

In the event that a Closed-End Type Investment Corporation records the allowance for temporary difference adjustments or reserve for temporary difference adjustments, from the following period onward, the amount of reversal of the reserve for temporary difference adjustments (meaning the process noted in the balance sheet in accordance with the provisions of Article 62, Item 13 of the Ordinance on Investment Corporation's Financial Statements or the amount generated by the reversal of the reserve for temporary difference adjustments in lieu

of recording the amount of allowance for temporary difference adjustments; the same shall apply hereinafter) shall be added to the unappropriated retained earnings in the amount of profit and the amount of reversal of the allowance for temporary difference adjustments (meaning the amount generated by the process noted in the balance sheet in accordance with the provisions of Article 62, Item 13 of the Ordinance on Investment Corporation's Financial Statements; the same shall apply hereinafter) shall be subtracted from the earnings.

Article 43-3 Description in Other Explanatory Notes in the Event of Discrepancy between Book and Tax Accounting

If the establishment of allowance for temporary difference adjustments or reserve for temporary difference adjustments or the reversals thereof are stated in the statement of cash distributions for the accounting period of investment corporations in accordance with the Article 42, Paragraph 2 or the preceding article, the matters listed in the following items shall be stated as other explanatory notes in relation to the allowance for temporary difference adjustments or reserve for temporary difference adjustments:

- (1) Allowance for Temporary Difference Adjustments
 - (i) Reasons for establishing the allowances and reversals, and assets generated, etc.
 - (ii) Amount for the allowance and reversal
 - (iii) Specific method of reversal
- (2) Reserve for Temporary Difference Adjustments
 - (i) Reasons for establishing reserves and reversals, etc.
 - (ii) Amount of reserves and reversals
 - (iii) Specific method of reversal (with respect to reversal resulting from negative goodwill or differences in the book value of assets resulting from a merger, the expected reversal period (which shall be within 50 years) and method of reversal (which shall be at least equal amount of reversal per each period) shall also be described.)

Article 43-3-2 Description in the Explanatory Notes Concerning the Balance Sheet in the Event of Discrepancy between Book and Tax Accounting

In accordance with the provisions of Article 42, Paragraph 2 and Article 43-2, if there is any increase or decrease in and recording of the allowance for temporary difference adjustments or the reserve for temporary difference adjustments in the balance sheet, the following matters shall be stated in the explanatory notes for the balance sheet:

- (1) Allowance for Temporary Difference Adjustments
 - (i) Reasons for establishing the allowances and reversals, and assets generated, etc.
 - (ii) Initial amount occurred
 - (iii) Opening balance of the current period, allowance for the current period (increase), reversal for the current period (decrease), closing balance at the end of the current period
 - (iv) Specific method of reversal
- (2) Reserve for Temporary Difference Adjustments
 - (i) Reasons for establishing reserves and reversals, etc.

- (ii) Initial amount occurred
- (iii) Opening balance of the current period, accumulation for the current period (increase), reversal for the current period (decrease), balance at the end of the current period
- (iv) Specific method of reversal (with respect to reversal resulting from negative goodwill or differences in the book value of assets resulting from a merger, the expected reversal period (which shall be within 50 years) and method of reversal (which shall be at least equal amount of reversal per each period) shall also be described.)

Article 43-4 Measures for Implementing Continuous Refund of Capital Contributions Each Period That Falls under the Category of Reduction of Capital Contributions, etc., under the Tax Act.

When making continuous refunds of capital contributions each month which falls under the category of distributions for reduction of capital contributions etc., under the Tax Act, as stipulated in Article 43, the following matters shall be observed:

- (1) The distribution policy in the Certificate of Incorporation shall state that continuous refunds of capital contributions that fall under the category of distributions for reduction of capital contributions, etc., under the Tax Act, shall be made each period, and describe the concept thereof.
- (2) Establish internal rules, etc. that provide for the disclosure of the distinction between the distribution of profits and the refunds of capital contributions and other matters specified in the By-laws as a policy for the implementation of continuous refunds of capital contributions each period that falls under the category of distributions for reduction of capital contributions, etc., under the Tax Act.
- (3) The concept of implementing continuous refunds of capital contributions each period that falls under the category of distributions for reduction of capital contributions, etc., under the Tax Act, shall be clearly stated in the securities registration statement, annual securities report as well as prospectus and disclosed on the website, etc., upon presenting objective grounds for such concept based on rational data, etc. (past data on settlements, engineering reports, etc.)

In addition, in order to make it easy to understand that this is a refund of capital contributions that falls under the category of distributions for reduction of capital contributions, etc., under the Tax Act, efforts shall be made to use simple expressions such as illustrations.

- (4) When making continuous refunds of capital contributions each period that fall under the category of distributions for reduction of capital contributions, etc., under the Tax Act, in addition to clearly stating in the asset management report that such money is not a distribution of profits but refund of capital contributions that falls under the category of distributions for reduction of capital contributions, etc., under the Tax Act, explanatory notes, etc., shall be made in the relevant section of the asset management report upon presenting objective grounds for the validity of the standard for such refund of capital contributions, etc., based on rational data, etc., (past data on settlements, engineering reports, etc.)
- (5) When making continuous refunds of capital contributions each period that fall under the category of distributions for reduction of capital contributions, etc., under the Tax Act, consideration shall be given so as not to affect the long-term repair plan stipulated in Article 9, Paragraph 2, Item 6, and upon

presenting objective grounds for such concept based on rational data, etc., (past data on settlements, engineering reports, etc.) explanatory notes, etc., shall be made in the relevant section of the Asset Management Plan and asset management report so that investors can understand the concept.

* By-laws Article 5-2

Article 43-5 Refund of Capital Contributions That Falls under the Category of Distributions for Reduction of Capital Contributions, etc., under the Tax Act Other Than Refund of Capital Contribution That Falls under the Continuous Distribution for Reduction of Capital Contributions, etc. for Each Period under the Tax Act

For refund of capital contributions that falls under the category of distributions for reduction of capital contributions, etc., under the Tax Act other than the refund of capital contribution that falls under the continuous distribution for reduction of capital contributions, etc. for each period under the Tax Act stipulated in the preceding article, sufficient consideration shall be given to the matters stipulated in the By-laws as set forth in Item 2 of the preceding article.

The management report shall clearly state that the money is not a distribution of profit but a refund of capital contributions, etc., that falls under the category of distributions for reduction of capital contributions, etc., under the Tax Act, and explanatory notes, etc., shall be made in the relevant section of the management report upon presenting objective grounds and reasons for the validity of the standard for such refund.

Article 44 Mutatis Mutandis Application of the Method of Recording Lease Revenue for Closed-End Type Investment Corporation

1. The provisions of Article 29 shall apply mutatis mutandis to the recording of lease revenue of a Closed-End Type Investment Corporation, the provisions of Article 30 shall apply mutatis mutandis to the recording of taxes and levies, and the provisions of Article 32 shall apply mutatis mutandis to the recording of trust management fees for real estate held, etc.
2. The provisions of Article 31 shall apply mutatis mutandis to the recording of remuneration paid by a Closed-End Type Investment Corporation. In this case, the term “trust fees” in said article shall be deemed to be replaced with “remuneration to be paid by the investment corporation to the relevant parties based on the contract concluded between the investment corporation, the operating company that manages assets, the general administration trustee, and the asset custodian company.”
3. The provisions of Article 33 shall apply mutatis mutandis to the frequency of calculation of the base value of a listed Closed-End Type Investment Corporation, and the provisions of Article 34 shall apply mutatis mutandis to the frequency of calculation of the base value of a non-listed Closed-End Type Investment Corporation. In this case, the term “Closed-End Type Investment Trust” in Article 33 and Article 34 shall be deemed to be replaced with “Closed-End Type Investment Corporation.”

Article 45 Points to Consider concerning the Issuance of Investment Corporation Bonds

When a Closed-End Type Investment Corporation issues investment corporation bonds under the provisions of Article 139-2 of the Investment Trust Act, the terms and conditions for issuance of such investment corporation

bonds such as maturity date, method of redemption, interest rate and method of payment of interest shall be appropriately established in consideration of the status of assets of such investment corporation.

Article 46 Points to Consider concerning the Issuance of Short-Term Investment Corporation Bonds
When a Closed-End Type Investment Corporation issues short-term investment corporation bonds under the provisions of Article 139-12 of the Investment Trust Act, the conditions for issuance of such short-term investment corporation bonds, such as the issue value and redemption value thereof, shall be established appropriately in consideration of the status of the assets of such investment corporation.

Article 46-2 Points to Consider concerning the Issuance of Investment Equity Subscription Rights
When a Closed-End Type Investment Corporation issues investment equity subscription rights under the provisions of Article 88-4 of the Investment Trust Act, the conditions of issuance, such as the exercise expiry date of the said investment equity subscription rights, the amount of money to be contributed upon exercise, or the calculation method thereof, shall be established appropriately in consideration of the status of the assets of the said investment corporation.

Section 2. Open-End Type Investment Corporation

Article 47 Mutatis Mutandis Application Concerning Method of Calculation for the Base Value of
Open-End Type Investment Corporation

1. The provisions of Article 35 shall apply mutatis mutandis to the investment in real estate, etc., and asset-backed securities, etc., of an Open-End Type Investment Corporation. In this case, the term “Open-End Type Investment Trust” in said article shall be deemed to be replaced with “Open-End Type Investment Corporation” and the term “Basic Terms and Conditions” in said article shall be deemed to be replaced with the “Certificate of Incorporation”
2. The provisions of Article 36 shall apply mutatis mutandis to the calculation of the base value of an Open-End Type Investment Corporation. In this case, the term “Open-End Type Investment Trust” in the Article shall be deemed to be replaced with “Open-End Type Investment Corporation” and the term “total number of units of beneficial interest” in the article shall be deemed to be replaced with “units of investment equity.”
3. The provisions of Article 42, Article 43-2, Article 43-3 and Article 43-3-2 shall apply mutatis mutandis to the distribution of profits and description in the explanatory notes in the event of discrepancy between book and tax accounting of the Open-End Type Investment Corporation. In this case, the term “Closed-End Type Investment Corporation” in Article 42 and Article 43-2 shall be deemed to be replaced with “Open-End Type Investment Corporation” and the term “may distribute the entire amount of profits” in Article 42, Paragraph 1. ” shall be deemed to be replaced with “may distribute the entire amount of profits or the sum of the amount of profits and the amount of valuation loss or profit on assets held at the end of the accounting period (with regard to real estate, rights of lease of real property and superficies rights, the amount of the valuation loss or profit on such assets calculated under the provisions of Article 5,

less book value (the amount less depreciation for such accounting period)), whichever is greater. ”

4. The provisions of Article 29 shall apply mutatis mutandis to the recording of lease revenue of an Open-End Type Investment Corporation, the provisions of Article 30 shall apply mutatis mutandis to the recording of taxes and levies, and the provisions of Article 32 shall apply mutatis mutandis to the recording of trust management fees.
5. The provisions of Article 44, Paragraph 2 as applied mutatis mutandis to Article 31 shall apply mutatis mutandis to the recording of remunerations paid by Open-End Type Investment Corporations.
6. The provisions of Article 39 shall apply mutatis mutandis to the frequency of calculation of the base value of an Open-End Type Investment Corporation. In this case, the term “Open-End Type Investment Trust” in said article shall be deemed to be replaced with “Open-End Type Investment Corporation,” the term “beneficiary” shall be deemed to be replaced with “investor,” and the term “application for additional establishment or partial early cancellation of investment trust property” shall be deemed to be replaced with “application for additional issuance of investment equity units or request for refund to the investment corporation.”

Article 47-2 Refund of Capital Contributions Made by Open-End Type Investment Corporations for Qualified Institutional Investors

1. Of the Open-End Type Investment Corporations, an investment corporation that solicits only qualified institutional investors (as defined in Article 2, Paragraph 3, Item 1 of the FIEA) and issues investment units that satisfy the requirements as defined in Article 1-4 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965) as those that are not likely to be transferred to persons other than qualified institutional investors (hereinafter referred to as an “Open-End Type Investment Corporation for Qualified Institutional Investors”) shall be able to make refunds of capital contributions up to the amount equivalent to the depreciation expense recorded on the last date of the accounting period.
2. In the event of a refund of contributions in accordance with the preceding paragraph, the investment corporation shall clearly state in the asset management report that the money in question is not a distribution of profits but a refund of capital contributions, and shall strive to prevent investors from confusing such money with distributions of profits.

Article 47-3 Special Provisions on Frequency of Calculation of Base Value of Open-End Type Investment Corporation for Qualified Institutional Investors

Notwithstanding the provisions of Article 47, Paragraph 6, the frequency of calculation of the base value of Open-End Type Investment Corporation for Qualified Institutional Investors can be calculated only on the last date of each accounting period. In this case, the investors shall be notified promptly after calculating the base value.

Article 47-4 Settlement of Foreign Income Taxes of Open-End Type Investment Corporations

An Open-End Type Investment Corporation that has paid foreign income taxes in the country in which its

assets are located during the period shall calculate the following data at the end of the period:

(1) Ratio of assets denominated in foreign currencies

The net assets denominated in foreign currencies at the end of the period (the amount obtained by subtracting the amount of yen-denominated assets from the amount recorded as total assets in the balance sheet for the relevant accounting period) divided by total net assets of trust property at the end of the period (recorded as total assets in the balance sheet for the relevant accounting period). The upper limit shall be 1 and maximum one digit of integer with decimal numbers truncated beyond the fourth decimal place.

(2) Foreign Income Tax per Yen of Distribution

Foreign income taxes during the period (the total amount of foreign income taxes paid by the investment corporation from the beginning to the end of the period) divided by the amount of dividends (the amount recorded as the amount of dividends in the statement of cash distributions for the relevant accounting period.) The upper limit shall be 1 and maximum 1 digit of integer with decimal numbers truncated beyond the tenth decimal place.

(3) Domestic Income Tax per Yen of Distribution

The amount obtained by dividing the amount of domestic income tax at the end of the period by the amount of dividends (Amount recorded as the amount of cash distributions in the statement of cash distributions for the relevant accounting period). Maximum one digit of integer with decimal numbers truncated beyond the tenth decimal place

Article 47-5 Communication on Settlement of Accounts for Foreign Income Taxes of Open-End Type Investment Corporations

The data calculated in accordance with the provisions of the preceding article shall be communicated to the sales companies on the date the financial statements are approved by the board of officers along with other data concerning payment of distributions. In this case, if the ratio of assets denominated in foreign currencies is 0, foreign income tax per yen of distribution shall also be 0.

Article 48 Value of Additional Issuance and Refund of Open-End Type Investment Corporation

1. When any additional issuance or refund of investment equity units is made based on the requested by the investors or the unitholders, such additional issuance or refund shall be made using the base value on the date of the request from investors and unitholders.
2. With respect to Open-End Type Investment Corporation for Qualified Institutional Investors to which the provisions of Article 47-3 have been applied, notwithstanding the provisions of the preceding paragraph, such application shall be made by using the base value of the last date of the accounting period immediately preceding the date requested by the investor or the unitholder.

Article 48-2 Mutatis Mutandis Application of Considerations concerning Issuance of Investment Equity Subscription Rights of Open-End Type Investment Corporations

The provisions of Article 46-2 shall apply mutatis mutandis to Open-End Type Investment Corporations. In

this case, the term “Closed-End Type Investment Corporation” in said article shall be deemed to be replaced with “Open-End type Investment Corporation.”

Chapter 4: Miscellaneous Provisions

Article 49 By-laws

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

Article 50 Others

Matters concerning real estate investment trusts and real estate investment corporations that are not stipulated in these Rules may be determined by a resolution of the Board of Directors.

Article 51 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 Provision

These Rules shall come into effect on March 16, 2001.

Supplementary Provision

This amendment shall come into effect on May 24, 2001.

Supplementary Provision

This amendment shall come into effect on September 21, 2001.

Supplementary Provision

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

Supplementary Provision

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

Supplementary Provision

This amendment shall come into effect on May 1, 2006.

Supplementary Provision

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

Supplementary Provision

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

Supplementary Provision

This amendment shall come into effect on February 15, 2008.

Supplementary Provision

This amendment shall be implemented from the date of approval by the competent authority (March 31, 2008).

Supplementary Provision

This amendment shall come into effect on May 16, 2008.

Supplementary Provision

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

Supplementary Provision

This amendment shall come into effect on March 19, 2009.

Supplementary Provision

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

Supplementary Provision

This amendment shall come into effect on May 20, 2010.

Supplementary Provision

This amendment shall come into effect on December 20, 2012.

* The amended provisions are as follows:

Article 27, Article 28, Article 28-2, Article 28-3, Article 37, Article 42, Article 43, Article 43-2, Article 43-3, Article 47-2
are amended

Supplementary Provision

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

* The amended provisions are as follows:

Articles 4 and 51 are amended.

Supplementary Provisions

This amendment shall come into effect on May 15, 2014.

However, the application of the amended provisions to the investment trust property or investment corporation whose accounting period or business year has commenced on the effective date may be made from the commencement of a new accounting period or business year.

* The amended provisions are as follows:

Article 24-5 is amended.

Supplementary Provisions

This amendment shall come into effect on December 1, 2014 and shall apply to investment corporations that commence their business period before the effective date and end their business period after the effective date.

* The amended provisions are as follows:

Article 46-2 and Article 48-2 are newly established.

Supplementary Provisions

1. This amendment shall come into effect as of the effective date (April 1, 2015) of the revised Accounting Regulation for Investment Corporation (referred to as the “New Ordinance on Investment Corporation’s Financial Statements” in Paragraph 3).
2. With respect to the calculation of profit distributions and the financial statements to be prepared for the business period of an investment corporation that commenced prior to the effective date of these revised rules, the provisions then in force shall remain applicable.
3. If any amount of voluntary reserves and unappropriated retained earnings shown on the balance sheet pertaining to the business period which includes the effective date thereof (excluding any amount appropriated as cash distribution for the current business period) is subdivided into profits arising from negative goodwill set forth in Article 48, Paragraph 3 of the Ordinance on Investment Corporation’s Financial Statements prior to amendment during any business period prior to such business period, such amount shall be set aside as reserve for temporary difference adjustments in the statement of cash distribution for any business period ending on the date on which two years have passed since the effective date of the New Ordinance on Investment Corporation’s Financial Statements.
4. With regard to the application of the provisions of Article 12-2 until the time the reserve for temporary difference adjustments is set aside in accordance with the preceding paragraph, the provisions then in force shall remain applicable.

* The amended provisions are as follows:

(1) Articles 12-2 and Paragraph 2 of Article 43 are deleted.

(2) Amended Articles 27, 28, 37, Paragraph 1 of Article 42, Paragraph 1 of Article 43, Article 43-4, Article 43-5, and Paragraph 3 of Article 47.

(3) Newly established Paragraph 2 of Article 42 and Article 43-3-2.

(4) Newly established Articles 43-2 and 43-3, and the former Articles 43-2 and 43-3 were shifted to Articles 43-4 and 43-5.

Supplementary Provisions

This amendment shall come into effect on July 16, 2015.

* The amended provisions are as follows:

Amended Article 1; Article 3, Paragraph 1; Article 3, Paragraph 3, Item 3; Article 3, Paragraph 4; Article 3, Paragraph 7; Article 8; Article 16; Article 17, Items 2 and 4; Article 18, Paragraph 1; Article 21; Article 24, Paragraph 3; Article 24-3; Article 39; and Article 47, Paragraph 6.

Supplementary Provisions

This amendment shall come into effect on March 9, 2017.

Provided, however, that if such amendment is accompanied by a change in the Certificate of Incorporation, such amendment shall be applied on or after the date of amendment of the Certificate of Incorporation for the relevant investment corporation.

* The amended provisions are as follows:

- (1) Article 3, Paragraph 2, Item 10 and Article 6, Paragraph 1, Item 7 are newly established.
- (2) Amended Article 6, Paragraph 1, Items 1 and 6, and Paragraph 2 of the same article

Supplementary Provisions

This amendment shall come into effect on January 1, 2020 and shall apply to any investment corporation from which the unit holders receive distributions on or after that date.

* The amended provisions are as follows:

Articles 42-2, Article 42-3, Article 47-4 and Article 47-5 are newly established

Supplementary Provision

This amendment shall come into effect on March 31, 2021.

* The amended provisions are as follows:

Articles 19 and 20 are amended. Deleted the proviso of Article 22.