

Rules Concerning Handling of Private Placement, etc. of Business-Type Fund

(Purpose)

Article 1.

The purpose of these Rules is to realize appropriate operation of the business and protection of investors when Regular Members engage in Handling of Private Placement, etc. of Business-Type Fund, by prescribing matters that are necessary for Regular Members' examining and monitoring the Business Operators, etc. and providing information, etc. to the customers, and thereby contribute to improving financial intermediary functions.

(Definitions)

Article 2.

In these Rules, each term set forth in each of the following Items shall have the meaning ascribed to it in the relevant Item:

(1) Business-Type Fund

It means the rights set forth in Article 2, Paragraph 2, Items 5 and 6 of the Financial Instruments and Exchange Act (hereinafter referred to as "FIEA") pertaining to any Invested Business which mainly consists of business other than the business which invests in the rights pertaining to securities or derivative transactions (excluding the investments provided for in Article 2-9, Paragraph 1, Items 1 and 2 of the Order for Enforcement of the Financial Instruments and Exchange Act).

(2) Invested Business

It means the business conducted by using money or other assets invested or contributed by the persons holding the rights set forth in Article 2, Paragraph 2, Item 5 or 6 of FIEA.

(3) Business Operator

It means the proprietor under "Silent Partnership Agreement" provided for in Article 535 of the Commercial Code, the general partner under "Limited Partnership Agreement for Investment" provided for in Article 3, Paragraph 1 of the Limited Partnership Act for Investment, the business-executing partner under "Partnership Agreement" provided for in Article 667, Paragraph 1 of the Civil

Code, and other person that is the principal of any Invested Business pertaining to the rights set forth in Article 2, Paragraph 2, Item 5 or 6 of FIEA.

(4) Manager

It means the person who executes the entire or main part of the Invested Business based on the entrustment or other juridical act made by the Business Operator (hereinafter referred to as “Entrustment, etc.”) (in the case of a Business-Type Fund the Invested Business of which is to lend money, if all or the main part of the borrowers consist of the companies, etc. set forth in Article 1-2, Item 6, Sub-Item (a) and (b) of Order for Enforcement of the Money Lending Act, including such companies, etc.).

(5) Handling of Private Placement, etc.

It means any of the acts set forth below:

- (i) Private Placement or Public Offering (referring to the Private Placement and the Public Offering provided for in Article 2, Paragraph 8, Item 7 of FIEA; the same shall apply hereinafter);
- (ii) Handling of Private Placement or handling of Public Offering (referring to the handling of Private Placement and handling of Public Offering provided for in Article 2, Paragraph 8, Item 9 of FIEA, and excluding the Electronic Application Type Electronic Public Offering Handling Business, etc. prescribed in Article 70-2, Paragraph 3 of Cabinet Office Order on Financial Instruments Business, etc.; the same shall apply hereinafter); and
- (iii) Selling of the Business-Type Fund acquired through the act set forth in Article 16, Paragraph 1, Item 5 of Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act.

(6) Agreement of Entrustment of Handling of Private Placement or Public Offering

It means the agreement concerning the handling of Private Placement or handling of Public Offering to be conducted by Regular Member based on entrustment from Business Operator.

(7) Investment Agreement

It means the agreement, which is to be concluded between a customer who invests in the rights set forth in Article 2, Paragraph 2, Item 5 or 6 of FIEA and Business Operator, in respect of the relevant rights.

(Exclusion from Application)

Article 3.

These Rules do not apply to the Handling of Private Placement, etc. of the Business-Type Fund prescribed in Appended Table 1.

(Conclusion of Agreement, etc.)

Article 4.

1. When Regular Member is to perform the act set forth in each of the following Items, it must conclude in advance the agreement prescribed in the relevant Item with Business Operator:
 - (1) Handling of Private Placement or handling of Public Offering of Business-Type Fund (excluding the act Regular Member performs based on entrustment from other Regular Member pursuant to the provision of Article 10) – Agreement of Entrustment of Handling of Private Placement or Public Offering
 - (2) Purchasing/selling Business-Type Fund (limited to the act set forth in Item (3) of Paragraph 5 of Article 2) – Business-Type Fund investment agreement
2. Regular Member must not engage in Handling of Private Placement, etc. unless the matters set forth in each of the following Items are stipulated in the agreement prescribed in each Item of the preceding Paragraph:
 - (1) Execution by Regular Member of the examination prescribed in the following Article (excluding the case where such examination was completed before the conclusion of the relevant agreement);
 - (2) Preparation by Business Operator of written report describing the matters prescribed in Appended Table 2 in respect of each accounting period (including the accounting period pertaining to the liquidation affairs (referring to the liquidation affairs pertaining to distribution to the customers executed subsequent to the termination of Investment Agreement or Invested Business; the same shall apply in Article 9); the same shall apply in Item (1) of Paragraph 1 of Article 8) (hereinafter referred to as “Fund Report”);
 - (3) Delivery by Business Operator of Fund Report to the customers (excluding the persons set forth in Section 2 of Appended Table 1 (hereinafter referred to as “Excluded Customers”)) and Regular Member (including delivery by means of the Internet or other appropriate methods; the same shall apply in Article 7 and Article 8);
 - (4) Obligation to cooperate by providing information for the examination prescribed in the following Article (excluding the case where the examination was completed before the conclusion of the relevant agreement) and for the monitoring prescribed in Article 7, both of which are to be conducted by Regular Member; and

- (5) Requirement that the matters set forth in the preceding Item must be stipulated in any agreement concerning Entrustment, etc. between Business Operator and Manager (including re-entrustment and entrustment effected through two or more steps).
3. When Regular Member is to perform Private Placement or Public Offering of Business-Type Fund, if Entrustment, etc. of all or the main part of the operation of the Invested Business is to be made, Regular Member must conclude with Manager in advance an agreement stipulating the following matters:
 - (1) The matters set forth in Item (4) of the preceding Paragraph; and
 - (2) Requirement that the matters set forth in Item (4) of the preceding Paragraph must be stipulated in any agreement concerning re-entrustment (including entrustment effect through two or more steps).

(Examination)

Article 5.

1. When Regular Member is to engage in Handling of Private Placement, etc. of Business-Type Fund, Regular Member must perform the examination appropriately in advance as prescribed in Appended Table 3.
2. If, as a result of the examination referred to in the preceding Paragraph, it has been determined that it would be inappropriate to engage in Handling of Private Placement, etc., Regular Member must not engage in Handling of Private Placement, etc. of the relevant Business-Type Fund.

(Appropriate Solicitation)

Article 6.

When Regular Member is to engage in Handling of Private Placement, etc. of Business-Type Fund, Regular Member must provide the customers (excluding Excluded Customers; the same shall apply hereafter in this Article) with the information prescribed in Appended Table 4 and other important information, and present explanation to the customers in such a manner that they can be understood easily.

(Monitoring, etc. Pertaining to Handling of Private Placement or Handling of Public Offering, etc.)

Article 7.

1. When Fund Report was delivered from Business Operator, Regular Member must check, without delay and as prescribed in Appended Table 5, the condition of the Invested Business of the Business Operator and Manager, as well as the condition of separate management of the invested money and the assets under the

management (limited to money; the same shall apply hereinafter) by the Business Operator (being referred to as “Condition of Invested Business, etc.” in Paragraph 3 and the following Article), based on the Fund Report.

2. The provision of the preceding Paragraph does not apply if Regular Member has confirmed that the financial statements of the Business-Type Fund pertaining to the Fund Report delivered from Business Operator to the Regular Member (referring to balance sheet and profit and loss statement; if the Business Operator only conducts Invested Business of one Business-Type Fund, referring to the financial statements of either the relevant Fund or the relevant Business Operator) have been audited by, and an audit report in respect thereof has been submitted from, a certified public accountant or audit corporation (including those with equivalent qualification in a foreign country).
3. When any of the events described in the following Items has occurred, Regular Member must promptly perform investigation of Business Operator or demand Business Operator to reform the situation, and, if necessary, notify the customers:
 - (1) Business Operator failed to deliver Fund Report;
 - (2) As a result of the checking referred to in Paragraph 1, impropriety or suspicion of impropriety was recognized in the Condition of Invested Business, etc.; or
 - (3) Otherwise Regular Member became aware of impropriety or suspicion of impropriety in the Condition of Invested Business, etc.

(Monitoring, etc. Pertaining to Private Placement or Public Offering)

Article 8.

1. Regular Member must take the measures set forth in the following Items in respect of Business-Type Fund it has caused to be acquired through Private Placement or Public Offering:
 - (1) Prepare Fund Report in respect of each accounting period, and deliver it to the customers (excluding Excluded Customers; the same shall apply in the following Paragraph); and
 - (2) Promptly perform investigation or attempt to reform the situation when it has become aware of impropriety or suspicion thereof in the Condition of Invested Business, etc., and, if necessary, notify the customers.
2. When Regular Member intends to make customers acquire Business-Type Fund through its Private Placement or Public Offering, it must stipulate in the Investment Agreement the matters concerning Item (1) of the preceding Paragraph.

(Preparation and Retention of Records)

Article 9.

When Regular Member engages in Handling of Private Placement, etc., it must prepare the records set forth in the following Items, and retain them for 3 years from the last day of the accounting period to which the day on which the liquidation affairs ended belongs:

- (1) Records pertaining to the examination provided for in Article 5 (including the materials and information used for determining appropriateness of Handling of Private Placement, etc.);
- (2) Records regarding the checking with, investigation of, and demand for reform made to Business Operator, and regarding the notification to the customers, that are provided for in Article 7;
- (3) Records regarding preparation and delivery of Fund Report provided for in Item (1) of Paragraph 1 of the preceding Article (including the materials and information used for the preparation); and
- (4) Records regarding the investigation, reform and notification to the customers, that are provided for in Item (2) of Paragraph 1 of the preceding Article.

(Entrustment)

Article 10.

When Regular Member is to engage in handling of Private Placement or handling of Public Offering of Business-Type Fund based on entrustment from other Regular Member, it must conclude in advance the entrustment agreement with such other Regular Member stipulating the following matters:

- (1) Matters regarding the examination provided for in Article 5;
- (2) Matters regarding delivery of Fund Report;
- (3) Matters regarding the checking with, investigation of, and demand for reform made to Business Operator, and regarding the notification to the customers, that are provided for in Article 7; and
- (4) Matters regarding the preparation and retention of the records provided for in the preceding Article.

Supplementary Provisions (June 19, 2017)

1. These Rules shall become effective from January 1, 2018, and shall be applied to Handling of Private Placement, etc. of Business-Type Fund conducted by Regular Member on or after the said date.

2. Notwithstanding the provision of the preceding Paragraph, these Rules shall not be applied to the following Handling of Private Placement, etc. of Business-Type Fund conducted by Regular Member on or after the effective date:
 - (1) Handling of Private Placement, etc. pertaining to the Business-Type Fund in respect of which Handling of Private Placement, etc. commenced before the effective date (limited to the Handling of Private Placement, etc. which is an extension of the Handling of Private Placement commenced before the effective date); or
 - (2) Selling of the Business-Type Fund which was acquired before the effective date through the act set forth in Article 16, Paragraph 1, Item (5) of Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act.

This translation is solely for the convenience of those interested therein, and accordingly all questions that may arise with regard to the meaning of the words or expressions herein shall be dealt with in accordance with the original Japanese text.