

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 (hereinafter referred to as the "Order for Enforcement")).

(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-Items (a) through (c) 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 (including those designated as

being similar to money in Article 1-3 of the Order for Enforcement and those that are deemed as money pursuant to the provision of Article 2-2 of FIEA; the same shall apply hereinafter) 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.

Supplementary Provisions (August 4, 2020)

This amendment shall become effective from August 6, 2020.

(Note) Amended provisions are as follows:

- (1) Amended Items (1) and (4) of Article 2;
- (2) Amended Article 7;
- (3) Amended 2. ⑥ of Appended Table 1; and
- (4) Amended 1. of Appended Table 5.

<p>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.</p>
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Appended Tables

(Appended Table 1)

Business-Type Fund excluded from application of the Rules under the provision of Article 3

- 1 . The following Business-Type Funds:
 - ① Commodity fund (where the Invested Business is conducted based on the “Commodity Investment Contract” prescribed in Article 2, Paragraph 5 of Act on Regulation of Commodity Investment);
 - ② Real estate fund (where the Invested Business is conducted based on the “Specified Joint Real Estate Venture Contract” prescribed in Article 2, Paragraph 3 of Act on Specified Joint Real Estate Ventures);
 - ③ In the case where the Invested Business which is identical to ① or ② is conducted in a foreign country, the fund which has obtained similar kind of authorization (including registration and other administrative disposition the nature of which is similar to such authorization) in the relevant foreign country under the provisions of the laws and regulations of the foreign country; and
 - ④ Racehorse fund (referring to a fund the purpose of the Invested Business of which is to acquire racehorse (limited to the racehorse which has been or is intended to be registered under Article 14 of Horse Racing Act (including the case where it is applied mutatis mutandis under Article 22 of the said Act), contribute such racehorse to the counterparty to a silent partnership agreement (limited to one specific person) pursuant to such agreement, and enter such racehorse in race (limited to the race in “central horse racing” and “local horse racing” provided for in Article 1, Paragraph 5 of the said Act).
- 2 . The Business-Type Fund the customers in respect of which are limited to only those described below (limited to the case where transfer to a person other than Excluded Customers is prohibited):
 - ① Qualified Institutional Investor;
 - ② The State;
 - ③ Bank of Japan;
 - ④ Local government;
 - ⑤ Financial instruments business operator (excluding those which fall under ①) ;

- ⑥ Fund asset management, etc. business operator, etc. (referring to the person provided for in Article 17-12, Paragraph 1, Item 5 of the Order for Enforcement);
- ⑦ Company which is issuer of share certificates listed on a financial instruments exchange;
- ⑧ Juridical person the stated capital of which is 50 million yen or more;
- ⑨ Juridical person the amount of net assets (referring to the amount obtained by subtracting the amount of liabilities from the amount of assets on balance sheet) of which is 50 million yen or more;
- ⑩ Specific public corporation or incorporated administrative agency;
- ⑪ Specified Purpose Company (*tokutei mokuteki kaisha*) (referring to the association prescribed in Article 2, Paragraph 3 of Act on the Securitization of Assets);
- ⑫ Corporate pension fund, which has investment-type financial assets (limited to those set forth in Article 62, Items 2 (a) through (g) of Cabinet Office Order on Financial Instruments Business (hereinafter referred to as “Office Order on Financial Instruments Business”); the same shall apply hereinafter) the total amount of which is 10 billion yen or more, or which is the “surviving employee’s pension fund” provided for in Article 233-2, Paragraph 4, Item 2 of the said Office Order, or which is foreign pension fund provided for in Item 3 of the said Paragraph;
- ⑬ Foreign juridical person;
- ⑭ Individual who is expected to have investment-type financial assets in the amount of 100 million yen or more and has more than one-year experience in transacting on securities or derivative transactions;
- ⑮ Juridical person that has investment-type financial assets in the amount of 100 million yen or more, or juridical person or individual that has, as Operating Partner, etc. (referring to the “Operating Partner, etc.” prescribed in Article 233-2, Paragraph 3, Item 2 of Office Order on Financial Instruments Business), investment-type financial assets in the amount of 100 million yen or more;
- ⑯ Public Interest Incorporated Association regarding which one-fourth or more of the total number of voting rights at its general meeting of members are owned by the State or local government, or Public Interest Incorporated Foundation regarding which one-fourth or more of the amount of money contributed to it has been contributed by the State or local government, which has, as its business for public interest purposes (referring to the “business for public interest purposes” provided for in Article 2, Item 4 of Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations), business related to promotion of regions or industries;
- ⑰ Issuer of the “Equity in Foreign Invested Business” provided for in Article 88, Paragraph 1 of Office Order on Financial Instruments Business (limited to the case where the person holding the relevant right is Qualified Institutional

Investor, issuer of equity in Invested Business, person set forth in Article 17-12, Paragraph 1, Items 1 through 14 of Order for Enforcement, or person set forth in Article 233-2, Paragraph 4, Items 1 through 6 and Item 8 of Office Order on Financial Instruments Business);

- ⑱ Company whose ratio of the total amount of investment income from the Specified Assets (referring to the “Specified Assets” provided for in Article 233-2, Paragraph 4, Item 6 (b) of Office Order on Financial Instruments Business; the same shall apply in ⑲) bearing to the amount of its gross revenue in one day can be expected to be 70% or higher in reasonable judgment based on the situation of transactions and other circumstances, and who is holding or managing its assets for the persons prescribed in ⑭;
- ⑲ Company whose ratio of the total amount of investment income from the Specified Assets bearing to the amount of its gross revenue in one business year can be expected to be 75% or higher in reasonable judgment based on the situation of the transactions and other circumstances, and who is holding or managing its assets for the persons prescribed in ⑫ and ⑮ through ⑱;
- ⑳ Parent Company, etc. (referring to the “Parent Company, etc.” prescribed in Article 16-5-2, Item 1 of Office Order on Financial Instruments Business; the same shall apply hereinafter) or Subsidiary Company, etc. (referring to the “Subsidiary Company, etc.” prescribed in the said Item; the same shall apply hereinafter) of ①, ⑦ or ⑬ above, or Subsidiary Company, etc. of such Parent Company, etc.;
- ㉑ Business Operator or Manager;
- ㉒ Officer or employee of Business Operator or Manager;
- ㉓ Parent Company, etc. or Subsidiary Company, etc. of Business Operator or Manager, or Subsidiary Company, etc. of such Parent Company, etc.;
- ㉔ Entity entrusted with operation by Business Operator or Manager (limited to the entity to which operation pertaining to the Invested Business is entrusted).

(Appended Table 2)

Matters to be described in Fund Report provided for in Item (2) of Paragraph 2 of Article 4

- 1 . General condition of the Invested Business during the accounting period (including the course of development of condition of operation and use of the invested money).
- 2 . The following matters concerning distribution and redemption (including redemption before maturity; the same shall apply hereinafter) made in respect of the relevant accounting period:
 - ① Whether any distribution or redemption was made in respect of the relevant accounting period;
 - ② Amount of distribution and redemption made in respect of the relevant accounting period; and
 - ③ Amount of distribution and redemption per unit made in respect of the relevant accounting period.
- 3 . Financial conditions (referring to the matters which should be stated in balance sheet and profit and loss statement; the same shall apply in this Appended Table and in Section 2 of Appended Table 4) of Business-Type Fund at the end of the accounting period, or its financial information stated in balance sheet, profit and loss statement, and the like (important management/financial indicators, etc. such as the total assets, total liabilities, net assets, sales, operating profit or loss, recurring profit or loss, and current-term net profit or loss).
- 4 . The following financial conditions or financial information in respect of the latest accounting period of Business Operator and Manager (excluding the financial conditions or financial information of the Business Operator which only conducts Invested Business of one Business-Type Fund):
 - (1) Business-Type Fund acquired as a result of Regular Member's handling of Private Placement, handling of Public Offering, or selling --
Financial conditions, or the financial information stated in balance sheet, profit and loss statement, tax return, and the like (important management/financial indicators, etc. such as the stated capital, total assets, total liabilities, net assets, sales, operating profit or loss, recurring profit or loss, and current-term net profit or loss; the same shall apply in the following (2)②and in Section 2 of Appended Table 4), of Business Operator and Manager;

- (2) Business-Type Fund acquired as a result of Private Placement or Public Offering conducted by Regular Member --
 - ① Relevant Regular Member's balance sheet, and profit and loss statement, and
 - ② Manager's financial conditions or financial information.
- 5 . Status of separate management of the invested money and the assets under the management.

The amount of segregated money and the methods of separate management (referring to the methods set forth in Article 125, Item 2 of Office Order on Financial Instruments Business) as of the last day of the accounting period.
- 6 . If Business-Type Fund has been audited as provided for in Paragraph 2 of Article 7, the individual name or name of the person who has performed the audit, as well as a summary of the subjects and the result of the audit.
- 7 . If any event—such as major revision of business plan, change of Manager, and significant deterioration of financial conditions of Business Operator or Manager—which materially affects Invested Business has occurred, such fact and its primary cause.

(Appended Table 3)

Subject matters of the examination provided for in Paragraph 1 of Article 5

1 . Matters common to Business Operator and Manager

(1) Existence of the business

- ① Verify existence of Invested Business on the basis of, for example, checking the certificate of registered information of Business Operator and Manager, visiting the location, identity verification of the representative, etc., checking the status of conclusion of agreements necessary for Invested Business and the substance of all kinds of agreements, and interviewing the executive, etc.
- ② Examine business execution ability of Business Operator and Manager on the basis of, for example, checking materials evidencing past performance of business similar to Invested Business and materials evidencing organization of Business Operator and Manager, interviewing the executive, etc., and the financial conditions provided for in (2) below.

(2) Financial conditions

Check the financial conditions as well as the status of financing of Business Operator and Manager on the basis of, for example, balance sheet, profit and loss statement, and cash flow statement of Business Operator and Manager, and materials making it possible to find out their status of borrowing from financial institutions, etc. and status of repayment thereof.

(3) Appropriateness of business plan

Determine appropriateness of the business plan—on the basis of, for example, the business plan and materials substantiating such plan—by paying attention to such matters as the following matters:

- ① Whether the business plan has been prepared based on reasonable grounds;
- ② Whether examination concerning business risks has been properly executed; and
- ③ Whether the assumptions concerning the business climate (novelty, presence or absence of competitors, etc.) in relation to the business is appropriate.

(4) Status of legal compliance / sociality

Check the status of legal compliance and sociality of Business Operator and Manager on the basis of, for example, the materials and interviewing concerning the following matters:

- ① Whether the executive, etc. have sufficient awareness of the importance of legal compliance, risk management, etc.;
- ② If the business is such that it is required to complete formalities regarding approvals, licenses, etc., whether the required formalities have been completed;

- ③ Whether the measures to secure the separate management prescribed in Article 125 of Office Order on Financial Instruments Business have been implemented;
 - ④ Whether it falls under antisocial forces, whether it has any relationship with antisocial forces, and whether any problem can be perceived in the mechanism of excluding relationship with antisocial forces (such as adoption of the article regarding exclusion of organized crime group) or in its operational status.
- (5) Purposes for the funds and its appropriateness
- Determine appropriateness of the purposes for the funds and the target amount of funds to be raised—on the basis of, for example, the business plan referred to in (3) above and the materials for checking financial conditions referred to in (2) above—by paying attention to such matters as the following matters:
- ① Whether the target amount of funds to be raised is reasonable in the light of the business plan and the financial conditions of Business Operator; and
 - ② Whether the target amount of funds to be raised and its purposes are consistent with the business plan.
- (6) Any other matters that are deemed necessary by Regular Member.

2. Business Operator

- (1) In the case where Business Operator raised funds based on the rights set forth in Article 2, Paragraph 2, Item 5 or Item 6 of FIEA within the past one year, the subsequent state of affairs.
- Check whether funds raised in the past have been properly managed—on the basis of, for example, materials (e.g., written agreements, bills, order forms, receipts, invoices, certified copy of register, written requests for remittance, copy of bankbook, monthly trial balance, and subsidiary ledger) pertaining to the business for which funds were raised based on the rights set forth in Article 2, Paragraph 2, Item 5 or Item 6 of FIEA within the past one year—by paying attention to such matters as the following matters:
- ① Whether the invested money has been used for the purposes originally planned;
 - ② Whether separate management of the assets under management has been properly executed; and
 - ③ Whether the business has been progressing in accordance with the business plan.
- (2) System for proper provision of information
- ① Confirm that Business Operator is obligated under Investment Agreement to prepare Fund Report and deliver it to customers (excluding Excluded Customers).
 - ② Check—on the basis of, for example, organization chart and job descriptions—whether the responsible employee/section and job description/role for

periodically providing information to customers and Regular Member have been prescribed.

- (3) Any other matters that are deemed necessary by Regular Member.

(Appended Table 4)

Provision of information provided for in Article 6

- 1 . Situation concerning any interest between Regular Member and Business Operator or Manager
For example, if Regular Member owns more than 50% of voting rights in Business Operator or Manager, or Business Operator or Manager owns more than 50% of voting rights in Regular Member, or if the same individual is serving Regular Member and Business Operator or Manager simultaneously as their officer (limited to the officer who can affect the relevant company's decision concerning its plan for financial affairs and operation or business), or if such officer is seconded between Regular Member and Business Operator or Manager, such facts.
- 2 . Financial conditions or financial information regarding Business Operator and Manager (excluding financial conditions or financial information regarding the Business Operator which only conducts Invested Business of one Business-Type Fund).
- 3 . Summary of the purposes for the funds and the business plan.
- 4 . Methods of separate management (referring to the matters set forth in Article 92-2, Paragraph 1, Item 1 of Office Order on Financial Instruments Business).
- 5 . Specific risks, points to note, etc. which have become clear as a result of the examination set forth in Appended Table 3.
For example, the relevant risk if Invested Business is being leveraged, or the relevant matters if resale or redemption before maturity is not permitted.
- 6 . Method of delivering Fund Report by Business Operator, or if Regular Member is to deliver Fund Report based on entrustment from Business Operator, such fact and its method.

(Appended Table 5)

Subjects of monitoring provided for in Paragraph 1 of Article 7

1 . Condition of separate management

Check—on the basis of, for example, copy of bankbook of the separate management account for the funds and transaction records of Internet banking—whether, among others, the invested money and the assets under the management have not been commingled with Business Operator’s proprietary assets, have not been remitted to a person unrelated to the Invested Business, and have not been embezzled or misappropriated for Business Operator’s own expenses, etc.

2 . Financial conditions of Business Operator and Manager (excluding the financial conditions of the Business Operator which only conducts Invested Business of one Business-Type Fund)

Check—on the basis of, for example, Fund Report, balance sheet and profit and loss statement—whether there is any matter, in respect of the financial conditions or financing of Business Operator or Manager, which is likely to make continuation of business difficult (such as insolvency or inability to pay debts).

3 . Any other matters that are deemed necessary by Regular Member.

(Note) With regard to the accounting period pertaining to liquidation affairs, check such matters as the general condition of liquidation affairs and “1. Condition of separate management.”