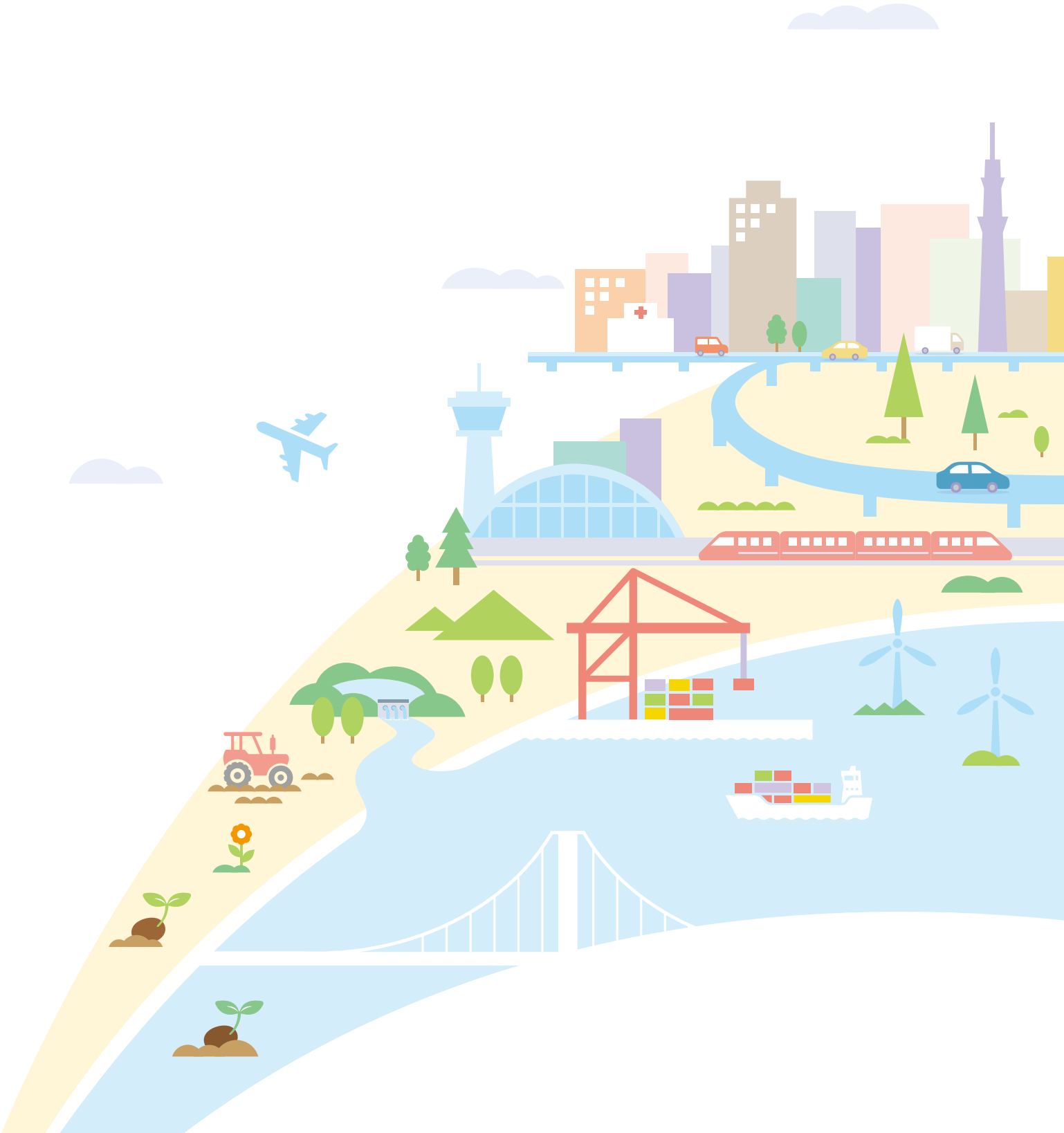




ASSOCIATION GUIDE

T2FIFA

Type II Financial Instruments
Firms Association



Chairman’s Message

The Type II Financial Instruments Firms Association (T2FIFA) is a general incorporated association functioning as a self-regulatory organization for firms operating financial instruments such as trust beneficiary rights and funds (so called “Deemed Securities”). Its legal status is a Financial Instruments Firms Association certified by the Prime Minister, pursuant to Article 78 of the Financial Instruments and Exchange Act (FIEA). As of November 2022, T2FIFA has over 600 members consisting of securities firms, banks, real estate companies and other institutions.

Japan has over 2000 trillion yen in personal financial assets, half of which are held as cash or bank deposits. With the advent of a longevity society, promoting asset building through using capital markets is needed. Contributing to people’s asset formation and financial facilitation are our challenges. We are working hard to supply appropriate financial instruments while protecting investors.

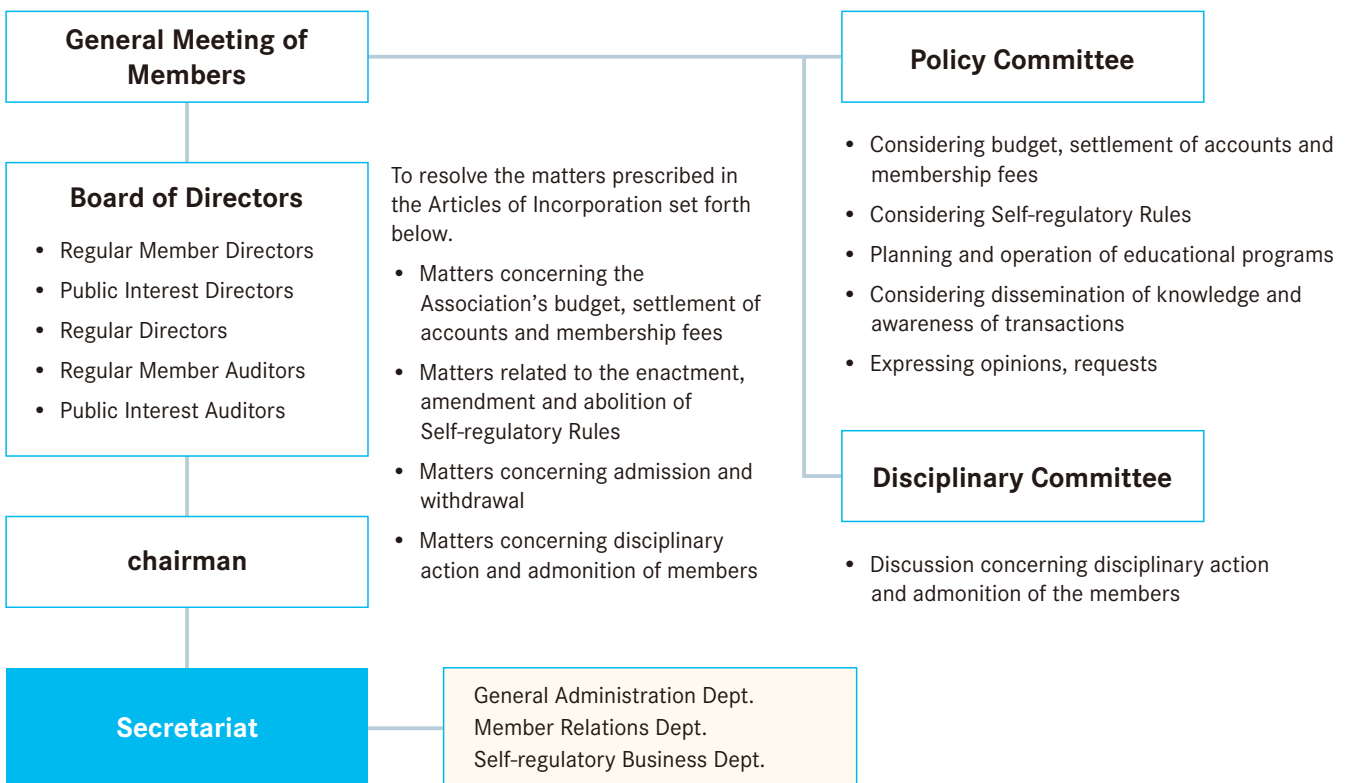
Overseas financial institutions are very welcome to join our association. We can assist you, smoothing your path in Japan. Please feel free to contact us.



Toshio Morita

MORITA Toshio
Chairman and CEO

Organization



Purpose

The purpose of the Association is to make the Type II Financial Instruments Business, etc. conducted by Regular Members and Electronic Public Offering Members to be fair and smooth, and also to contribute to the sound development of Type II Financial Instruments Business, etc. and protection of investors.

History

- 2007 The Financial Instruments and Exchange Act (FIEA), a comprehensive overhaul of the former Securities and Exchange Act, was enforced.
- 2010 T2FIFA was established.
- 2011 The Prime Minister certified T2FIFA as a Financial Instruments Firms Association.
- 2012 T2FIFA started member education.
Amended FIEA provided measures for increasing T2FIFA members business.
- 2018 SDGs Promotion Working Group established.
- 2019 SDGs Promotion Working Group Report was published.
- 2020 T2FIFA starts remote education for members.
- 2022 T2FIFA notification net system started operation.

Membership Application

New members are very welcome. We can provide you with helpful support for your business development in Japan. The application procedure is shown at our website.



“Type II Financial Instruments Business”

The Type II Financial Instruments Business is provided for in Article 28, Paragraph 2 of the FIEA. The term “Type II Financial Instruments Business” means self-offering related to collective investment scheme interests etc. and conducting any of the following acts related to “Deemed Securities”.

- (i) sale and purchase of Securities
- (ii) intermediary, brokerage
- (iii) dealing in Public Offering or Secondary Distribution of Securities or dealing in Private Placement of Securities;

Type II Financial Instruments Business shall be conducted only by persons and companies registered by the Prime Minister.

“Deemed Securities”

Article 2, Paragraph 2 of FIEA defines the following rights as Deemed Securities. Even if they are not rights which must be indicated on instruments or certificates, they are deemed as Securities. The rights prescribed in (v) are so called collective investment scheme interests (*shudan-toshi scheme mochibun*).

- (i) beneficial interest of a trust (*shintaku juekiken*);
- (ii) rights that are claimable against a foreign person and which have the nature of the rights specified in the preceding item;
- (iii) the membership rights of a general partnership company or limited partnership company (limited to rights specified by Cabinet Order), membership rights of a limited liability company;
- (iv) the membership rights of a foreign corporation which have the nature of the rights specified in the preceding item;
- (v) among the rights based on a partnership contract provided for in Article 667, paragraph 1 of the Civil Code, a silent partnership agreement provided for in Article 535 of the Commercial Code, a limited partnership agreement for investment provided for in Article 3, paragraph 1 of the Limited Partnership Act for Investment, or a limited liability partnership agreement provided for in Article 3, paragraph 1 of the Limited Liability Partnership Act, membership rights in an incorporated association or other rights (excluding rights based on foreign laws and regulations) the holder of which can receive dividends from profits arising from business that is conducted using the money (including anything specified by Cabinet Order as being similar to money) invested or contributed by the equity holder or a distribution of the assets of the invested business. (Item (v) from (a) to (c) of said paragraph are exceptions.)
- (vi) rights based on laws and regulations of a Foreign State which are similar to those specified in the preceding item;
- (vii) securities specified by Cabinet Order

Article 2, Paragraph 3 of the FIEA defines Paragraph 2 Securities. They are the above-mentioned “Deemed Securities” excluding electronically recorded transferable rights with high liquidity.



Activities

T2FIFA has established the following self-regulatory rules in order to contribute to the appropriateness of solicitation of transactions related to self-offerings and other transactions, conducted by regular members. Regular members are required to comply with these rules. Please refer to our website for further information.

- e.g.
- Rules Concerning Representation of Advertisement, etc. and Offers of Premiums
 - Rules Concerning Solicitation of Investment and Management of Customers, etc.
 - Rules Concerning Handling of Private Placements, etc. of Business-Type Funds



T2FIFA currently provides the following services to its regular members.

1. Education.
2. Prepared “Type II Financial Instruments Business Practice Manual” and Q&As
3. Creation of association model forms and provision of form creation website
4. Establishment of Compliance Counseling Office and Tax Counseling Office
5. Use of FINMAC (Financial Instruments Mediation Assistance Center)
Note: FINMAC is the Alternative Dispute Resolution (ADR) Institution designated by the Financial Service Agency
6. Support for elimination of antisocial forces
7. Dissemination of information
8. Compilation of requests to administrative authorities



Working to Promote SDGs

The SDGs Promotion Working Group established under the Board of Directors published its report. The report is available both in Japanese and English on our website.



SUSTAINABLE DEVELOPMENT GOALS

T2FIFA supports its members’ commitment to SDGs. You can visit the SDGs website (t2fifa.or.jp) at the T2FIFA website via the QR code.





T2FIFA | Type II Financial Instruments
Firms Association

2-11-2, Nihombashi, Chuo-ku, Tokyo
103-0027 JAPAN



Logo concept:

The two diagonal lines mean II; their thickness getting thicker as they go to the upper right means growth and progress; the circle means the rising sun.

Concept of the illustration on the cover:

The illustration on the cover expresses that seeds called trust beneficiary rights or funds planted by Type II Financial Instruments Business operators bear fruit in fields such as finance, real estate, energy, infrastructure, logistics, medical care and agriculture.

Association Overview

Name: Type II Financial Instruments Firms Association
(Ippan-Shadan-Houjin Dainishu-Kinyu-Shouhin-Torihikigyou-Kyoukai)

Office: 2-11-2, Nihombashi, Chuo-ku, Tokyo 103-0027 JAPAN

Website: <https://www.t2fifa.or.jp/en/>

Number of executives and staff: 21 (as of July 1, 2023)



Board Members (as of June 27, 2023)

* Note the names of the member list are written as “SURNAME First name”.

| | | |
|--|--------------------|--|
| Public Interest Director, Chairman and CEO | MORITA Toshio | Japan Securities Dealers Association |
| Regular Member Director | ARAKI Saburo | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |
| | ISHIDA Tateaki | Tokai Tokyo Securities Co., Ltd. |
| | ENDO Yasushi | Mitsui Fudosan Realty Co., Ltd. |
| | KOMATSU Masami | Music Securities, Inc. |
| | SHIRAKAWA Itaru | Mizuho Securities Co., Ltd. |
| | NAGAI Koji | Nomura Securities Co., Ltd. |
| | HIBINO Takashi | Daiwa Securities Co. Ltd. |
| | HIRANO Kiyohisa | Daiwa Corporate Investment Co., Ltd. |
| | MORISHIMA Atsuhiko | Mizuho Bank, Ltd. |
| | YUASA Tetsuo | Mitsubishi Real Estate Services Co., Ltd. |
| | YOSHIOKA Shuji | SMBC Nikko Securities Inc. |
| Public Interest Directors | IWAHARA Shinsaku | Emeritus Professor of Law, The University of Tokyo |
| Regular Director (Senior Managing Director) | AOKI Ichiro | |
| Regular Director (Managing Director) | INUBUSHI Toshiyuki | |
| Public Interest Auditor | TANAKA Sanae | Attorney |

Number of Members (as of August 1, 2023)

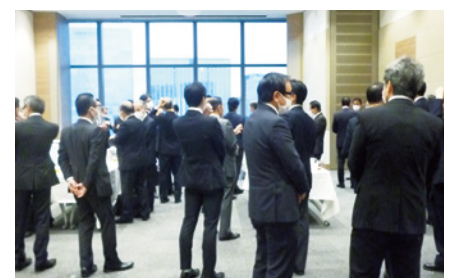
- Regular Members: 630
- Electronic Public Offering Members: 0
- Supporting Members: 8



Board of directors



Real estate discussion forum



Social gathering for representatives

Business report for fiscal year ended March 31, 2023

I. General meetings, board of director meetings, committee meetings, etc.

General meetings were held 3 times (1 ordinary, 2 extraordinary), board of director meetings were held 13 times (4 in person, 9 in writing), policy committee meetings were held 4 times (3 in person, 1 in writing) and disciplinary committee meetings were held 2 times.

II. General overview of business activities

● Enhancement of communication with regular members, support for business operations

- Held in-person seminar, for representatives of regular members, for the first time in three years (available online for a limited time thereafter), as well as a follow-up social gathering to promote interaction between representatives.
- Created and released print and electronic versions of our Type II Financial Instruments Business Practice Manual (8th ed.) and Real Estate Trust Beneficiary Rights Transactions Manual (3rd ed.).
- Established a Compliance Counseling Office (entrusted to 4 law firms), which was utilized by 18 companies for 23 cases. Also established a Tax Counseling Office, which was utilized by 5 companies for 5 cases.



Seminar for representatives

● Training, etc.

- So as to improve convenience for regular members and better prevent the spread of COVID-19, continued to offer 21 e-learning courses, as per previous fiscal year. Courses have been utilized by 8,340 persons (total) as of March 31, 2023.
- Released 2 videos on e-learning site as part of efforts to promote SDGs.

● Self-regulatory activities

- Revised the “Rules Concerning Solicitation of Investment and Management of Customers, etc.,” which prohibits unsolicited solicitation in regard to collective investment schemes including crypto-assets in investment targets.
- Revised “Q&A on Practical Measures in Regard to ‘Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism’” (September 2022 ed.) and “Q&A on Practical Measures in Regard to the Act on Prevention of Transfer of Criminal Proceeds” (revised 2nd ed.).

● Inspections, monitoring, disciplinary actions, etc. for regular members

- Carried out inspections for 12 regular members according to basic inspection plans. Additionally, released videos via e-learning site and gave notifications to regular members, regarding inspection results for the fiscal year ended March 31, 2022.
- Carried out dispositions (reprimand), recommendations, etc., as stipulated for in articles of incorporation, for 1 regular member found to have been violated of laws and regulations.
- Released aggregated results (summary) for status of handling of lending funds (semiannual) and status of handling of electronic-based application type electronic public offering services related to deemed securities (quarterly).

● Initiatives to preserve trust and security among investors and ensure sufficient financial intermediary functionality

- Participated as an observer in FSA “Financial System Council Working Group” on capital market regulations and submitted written opinion to secretariat. Also participated as an observer in “Customer-Oriented Business Conduct Task Force” under the working group and expressed opinion.

● Electronization of member notifications and reports

- In light of government pursuit of digitalization of services and the Financial Service Agency’s exploration of and preparation for moving applications and notifications to an online system, we strove to reduce operating burdens and improve convenience through electronization of member notifications and reports. The system went into operation according to schedule on April 1, 2022.

● English language support for membership application documents, etc.

- As of October 31, 2022, carrying out registration procedures in English is permitted for Type II Financial Instruments Business conducted by overseas financial institutions entering the Japanese market that meet certain conditions. Accordingly, we implemented English language support for application documents. Additionally, we revised the English translations of self-regulatory rules.

● Public relation activities

- Created new pamphlets, with the aim to promote understanding among general investors in regard to items such as Type II Financial Instruments Business/funds and real estate trust beneficiary right instruments/transactions, etc.; as well as to spread awareness of our activities. Pamphlets were distributed to the Financial Service Agency, local finance bureaux and other associated organizations, and were used to aid in explaining our services. English language versions of pamphlets and websites were also created to promote participation in our association among overseas financial companies newly entering Japan, with a particular focus on providing information related to joining.