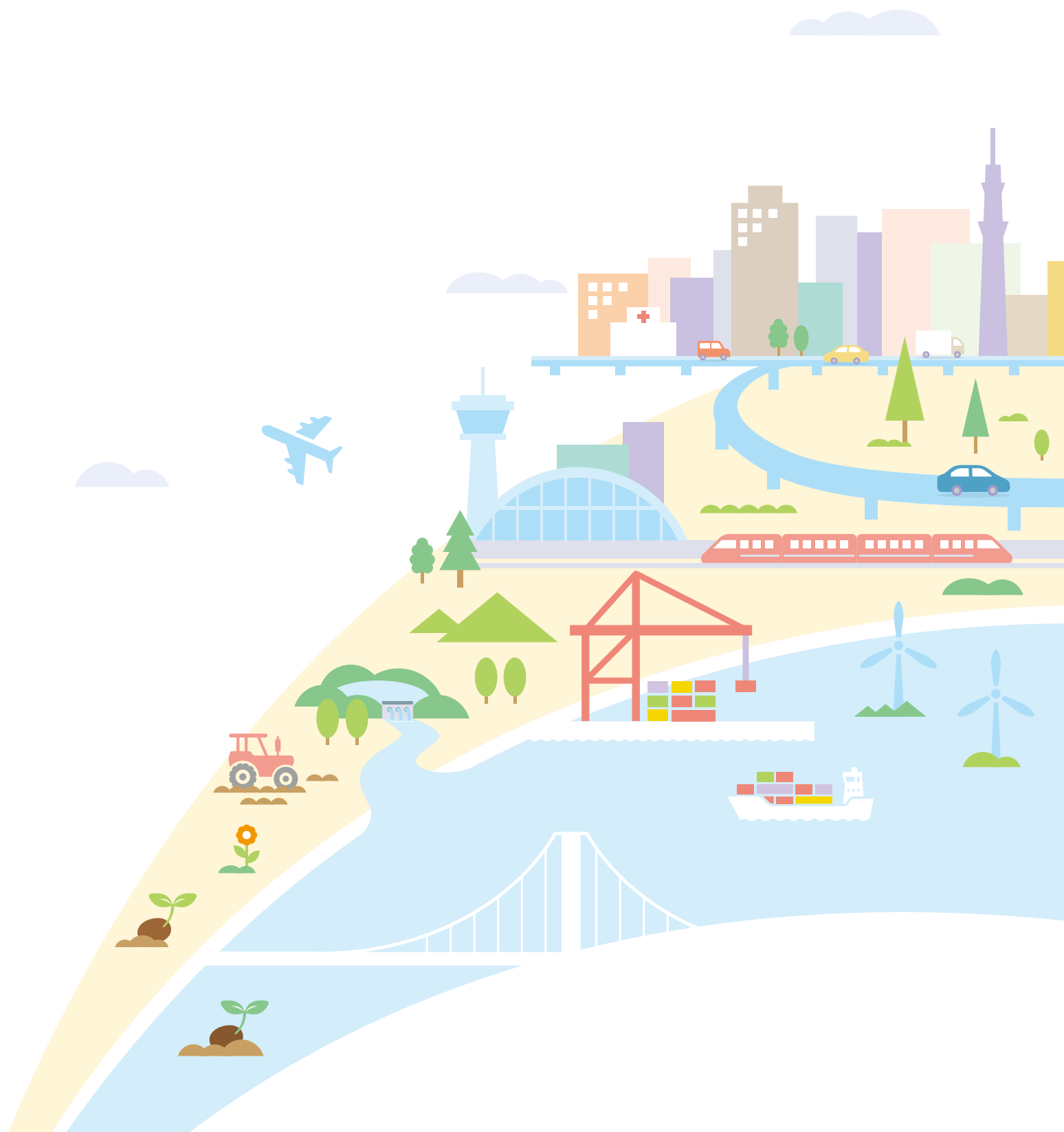


ASSOCIATION GUIDE

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 February 2024, T2FIFA has over 630 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.

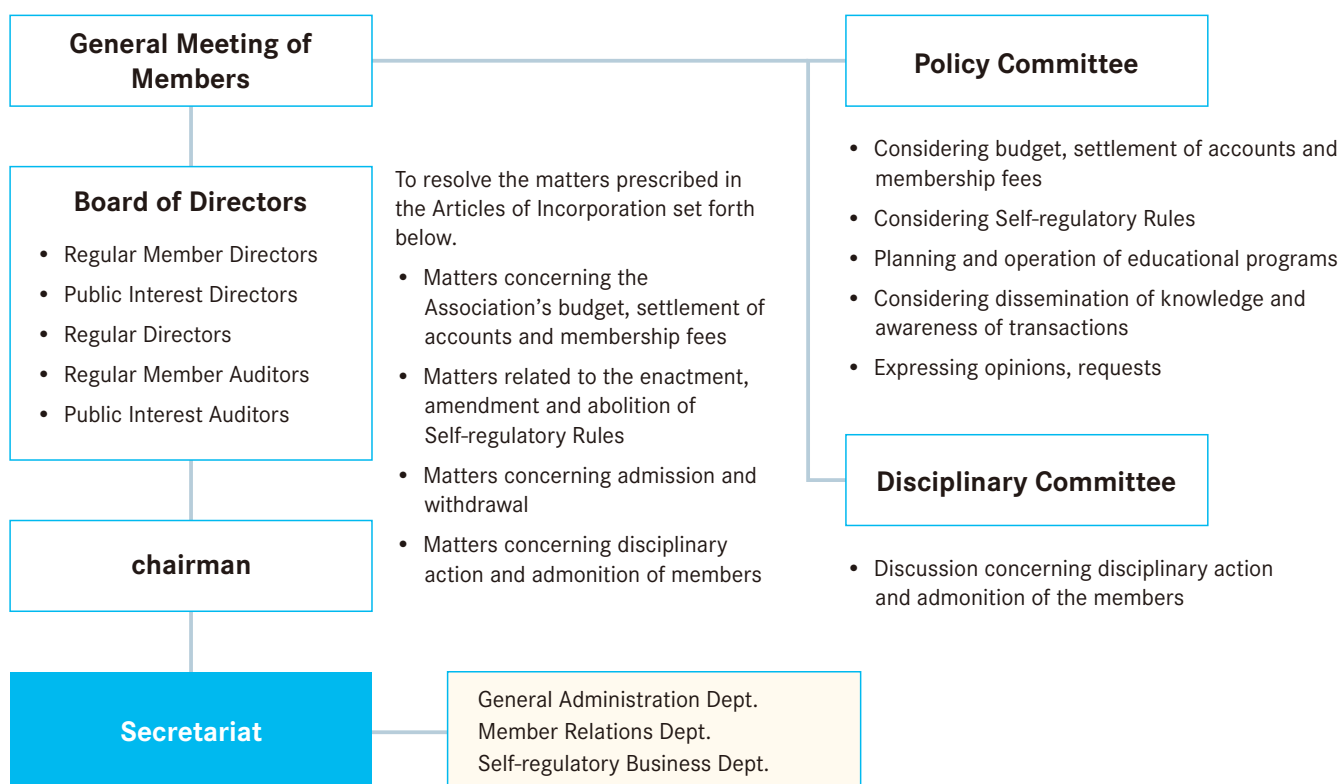
Overseas financial institutions are very welcome to join our association. We can assist you, smoothing your path in Japan. Please feel free to contact us.



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.
- 2015 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

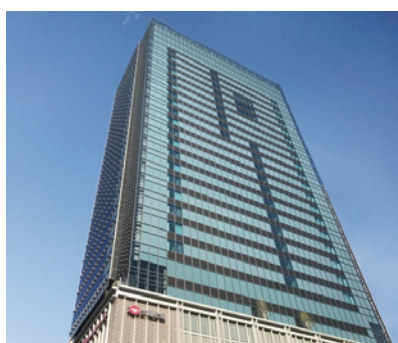


Working to Promote SDGs

T2FIFA supports its members' commitment to 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 | 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-Kyokai)

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

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

Number of executives and staff: 19 (as of August 1, 2024)



Board of directors (In the order of the Japanese syllabary, honorifics omitted, July 19, 2024)

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.
	SHIRAKAWA Itaru	Mizuho Securities Co., Ltd.
	TSUJI Takafumi	Sumitomo Mitsui Banking Corporation
	NAGAI Koji	Nomura Securities Co., Ltd.
	NAKATA Seiji	Daiwa Securities Co. Ltd.
	NIWA Isao	Daiwa Corporate Investment Co., Ltd.
	HORIUCHI Toshihiro	SMBC Nikko Securities Inc.
	YUASA Tetsuo	Mitsubishi Real Estate Services Co., Ltd.
Public Interest Directors	IWAHARA Shinsaku	Emeritus Professor of Law, The University of Tokyo
Regular Director (Senior Managing Director)	KANZAKI Yasushi	
Regular Director (Managing Director)	FUEKI Atsuo	
Public Interest Auditor	TANAKA Sanae	Attorney

Number of members (As of August 1, 2024)

- Regular members: 649
- Electronic subscription members: 0
- Supporting members: 8 groups



Seminar for representatives



Real estate discussion forum

Business report for fiscal year ended March 31, 2024

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

General meetings were held 2 times (1 ordinary, 1 extraordinary), board of director meetings were held 12 times (3 in person, 9 in writing), and policy committee meetings were held 3 times (3 in person).

II. General overview of business activities

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

- Held an in-person seminar in November 2023 for representatives of regular members, as well as a follow-up social gathering to promote interaction between representatives. At the seminar, Haruhiko Kuroda, previous Governor of the Bank of Japan, spoke on “A Retrospective of Monetary Policy and the Future of the Japanese Economy”, and Yasushi Shiina, head of the Securities Business Division of the Supervision Bureau of the Financial Services Agency spoke on “Financial Administration Policy for FY2023.” (138 participants)
- Held real estate opinion exchange meetings in May 2023 and January 2024.
- In February 2024, we resumed individual company visits and visited member representatives (7 companies).
- Created and released print and electronic versions of our Type II Financial Instruments Business Practice Manual (9th ed.).
- Established a Compliance Counseling Office (entrusted to 4 law firms), which was utilized by 23 companies for 28 cases. Also established a Tax Counseling Office, which was utilized by 6 companies for 8 cases.



Seminar for representatives



e-learning site

● Training, etc.

- So as to improve convenience for regular members and better prevent the spread of COVID-19, continued to offer 19 e-learning courses, as per previous fiscal year. Courses have been utilized by 8,679 persons (total) as of March 31, 2024.
- Released 2 videos on e-learning site as part of efforts to promote SDGs.

● Self-regulatory activities

- Created the “Fund Transaction Manual” (April 2023) and amended it (February 2024), revised the “Q&A on Loan Funds” (August 2023), and added the “Administrative Checksheet” to the financial record site (fund) (November 2023).

● Auditing, monitoring, disposition, etc. for regular members

- Carried out audits for 9 regular members according to basic inspection plans. In June 2023, we notified regular members of the audit results for 2022 (key points of the audit results and audit findings (facts, causes, background, and points to be noted)) and distributed a video of the results on our e-learning site.
- 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 the “Market Systems Working Group” of the Financial System Council of the Financial Services Agency, and in the “Customer-Oriented Task Force” and “Asset Management Task Force” established under the Working Group.

● Requests etc.

- The “Bill to Partially Amend the Financial Instruments and Exchange Act, etc.” announced on March 14, 2023, strengthens regulations on financial instruments business operators concerning social lending funds and other funds, and in the event that subscription for such funds is conducted using the internet, regulations are to be developed that are similar to those for electronic subscription handling business. Given these facts, there is potential for impact on the “Rules on Electronic Application and Electronic Subscription Handling Business” etc. Therefore, in April 2023 we notified regular members of a solicitation of opinion concerning revision of the relevant rules, and gathered a total of 58 opinions from eight companies.

● Public relation activities

- In order to promote general investors’ understanding of Type II Financial Instruments Business, and of financial products and transactions such as funds and real estate trust beneficiary interests, the Association has started to study the revision of its website.
The revised website was designed to contribute to financial education with the basic policies of using videos to provide easy-to-understand explanations, making the site compatible with smartphones, tablets, and other devices, and improving security.