

Law Concerning the Regulation, etc. of an Investment Advisory Business Relating to Securities  
(Law No.74 of May 27, 1986)

Enforcement

November 25, 1986 (Ordinance No.332 of 1986)

Amendment

Law No.75 of 1988, Law No.87 of 1992, Law No.89 of 1993, Law No.91 of 1995, Law Nos.102 and 117 of 1997, Law Nos.107 and 131 of 1998, Law Nos.151 and 160 of 1999, Law Nos.96, 97, and 126 of 2000, Law Nos.129 and 138 of 2001, Law Nos.45 and 65 of 2002, Law No.54 of 2003, Law Nos.76, 88, 97, 124, 147 and 154 of 2004

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## **Chapter I. General Provisions**

(Objectives)

Article 1. The purpose of this Law is to ensure the appropriate operation of business conducted by parties engaged in the Investment Advisory Business related to Securities, and to protect investors by enforcing the registration system of such parties and in implementing necessary regulations against their business.

(Definitions)

Article 2. In this Law, an “Investment Advisory Agreement” shall mean an agreement wherein a party promises to provide advice related to the Value of Securities, etc. or the investment decision based on analysis of the Value of Securities, etc. (the investment decision shall mean decisions concerning the type, issuer, quantity and price of the Securities to be invested in, and the separation, method and timing of the purchase or sale thereof (with respect to the Securities Index, etc., Futures Transactions, etc., Securities Options Transactions, etc., Over-the-Counter Securities Index, etc., Forward Transactions, Over-the-Counter Securities Options Transactions and Over-the-Counter Securities Index, etc., Swap Transactions, decisions concerning the details and timing of the transaction.). The same applies hereinafter.) in oral, written (excluding publications aimed to be sold to the general public such as newspapers, magazines, books, etc., which are readily available for the general public to purchase.) or other forms, and that the other party promises to pay for consideration therefor.

2. In this Law, “Investment Advisory Business” shall mean the business of providing advice to clients pursuant to the Investment Advisory Agreement.

3. In this Law, “Investment Adviser” shall mean a party who engages in the Investment Advisory Business and is properly registered under Article 4.

4. In this Law, “Discretionary Investment Agreement” shall mean the following agreements:

(1) An agreement where an Investment Adviser is entrusted by its client with the making of all or part of the investment decision based on the analysis of the Value of Securities, etc., and is assigned the necessary authority to execute investment based on such investment decision on behalf of the client.

(2) An agreement where an Investment Adviser is entrusted by its client with the making of all or part of the investment decision based on the analysis of the Value of Securities, etc., and is assigned the necessary authority to execute investment based on such investment decision on behalf of the client, and is also authorized to reassign all or part of such investment decision making and/or assigned authority to a third party as prescribed in the Ordinance.

5. In this Law, “Securities” shall mean securities prescribed in the Securities Exchange Law (Law No. 25 of 1948), Article 2, Paragraphs 1 and 2 (including government bond securities as prescribed in the same Law, Article 108-2, Paragraph 3, or normal bonds deemed as foreign government bonds as prescribed in the same Law, Article 65, Paragraph 2, Item 3.).

6. In this Law, “Securities Index, etc., Futures Transactions, etc.” shall mean securities index, etc., futures transactions (referring to the securities index, etc., futures transactions prescribed in the Securities Exchange Law, Article 2, Paragraph 21. The same applies hereinafter in this Article.) or foreign market securities futures transactions (referring to foreign market securities futures transactions prescribed in the same Law, Article 2, Paragraph 23. The same applies hereinafter in this Article.) which are similar to the securities index, etc., futures transactions.

7. In this Law, “Securities Options Transactions, etc.” shall mean securities options transactions (referring to the securities options transactions prescribed in the Securities Exchange Law, Article 2, Paragraph 22. The same applies hereinafter in this Article.) or foreign market securities futures transactions which are similar to the securities options transactions.

8. In this Law, “Over-the-Counter Securities Index, etc., Forward Transactions” shall mean over-the-counter securities index, etc., forward transactions prescribed in the Securities Exchange Law, Article 2, Paragraph 25.

9. In this Law, “Over-the-Counter Securities Options Transactions” shall mean over-the-counter securities options transactions prescribed in the Securities Exchange Law, Article 2, Paragraph 26.

10. In this Law, “Over-the-Counter Securities Index, etc., Swap Transactions” shall mean over-the-counter securities index, etc., swap transactions prescribed in the Securities Exchange Law, Article 2, Paragraph 27.

11. In this law, “Securities, etc.” shall mean Securities, securities indexes (referring to the securities indexes prescribed in the Securities Exchange Law, Article 2, Paragraph 21, and indexes similar to such indexes that are related to foreign market securities futures transactions which are similar to securities index, etc., futures transactions.), over-the-counter securities indexes or options prescribed in the same Article, Paragraph 25 (referring to options prescribed in the same Article, Paragraph 1, Item 10-2, and rights that are similar to such options and are related to foreign market securities futures transactions similar to securities options transactions. The same applies hereinafter in the immediately following Paragraph.).

12. In this Law, “Value of Securities, etc.” shall mean the value of Securities, the amount of consideration for options, or the movement of contracted indexes, contracted numeric values, actual indexes, actual numeric values (referring to the contracted indexes, contracted numeric values, actual indexes or actual numeric values prescribed in the Securities Exchange Law, Article 2, Paragraph 21, and similar numeric values related to foreign market securities futures transactions which are similar to securities index, etc., futures transactions.), over-the-counter contracted indexes, over-the-counter

contracted numeric values, over-the-counter actual indexes or over-the-counter actual numeric values (referring to the over-the-counter contracted indexes, over-the-counter contracted numeric values, over-the-counter actual indexes and over-the-counter actual numeric values prescribed under the same Article, Paragraph 25.).

13. In this Law, “Securities Transactions” shall mean acts listed in the Securities Exchange Law, Article 2, Paragraph 8, Items 1 through 3-2.

(Prohibition of Discretionary Investment, etc.)

Article 3. No person shall engage in the business of conducting investment for others with entrustment of all or part of investment decision making based on the analysis of the Value of Securities, etc. (referred to as “Discretionary Investment” hereinafter in this Article.), unless pursuant to a Discretionary Investment Agreement or specifically prescribed in other laws. The foregoing shall not apply to cases wherein a legal entity, established in accordance with a foreign law, and engaged in the business of Discretionary Investment in a foreign country, engages in the business of Discretionary Investment (limited to transactions in which the counterparties are Approved Investment Advisers (referring to the Investment Advisers who received the approval under Article 24, Paragraph 1, hereinafter the same.) or other parties prescribed under the Ordinance.).

## **Chapter II. Registration**

(Registration)

Article 4. A party seeking to engage in the Investment Advisory Business must be registered with the Prime Minister. The foregoing shall not apply to a legal entity established in accordance with laws and regulations of a foreign country and engaged in the Investment Advisory Business or an individual residing in a foreign country who engages in the Investment Advisory Business, if such entity or individual engages in the Investment Advisory Business only with the Approved Investment Advisers or other parties prescribed under the Ordinance as counterparties.

(Application for Registration)

Article 5. A party seeking to obtain the registration prescribed under the immediately preceding Article must submit to the Prime Minister a completed registration application form stating all the matters set forth below:

(1) Trade name, name and address.

(2) In case of a legal entity, its paid-in-capital (including total investment amount), the names and addresses of its officers and (if any) the names and addresses of employees prescribed in the Ordinance.

(3) In case of an individual, the names and addresses of employees prescribed in the Ordinance (if any).

(4) The names and addresses of places of businesses.

(5) Method of business.

(6) If engaged in other businesses, the type of those businesses.

(7) Other matters prescribed in the Cabinet Order.

2. A covenant certifying that the applicant falls under neither of the categories prescribed in each Item of Article 7, Paragraph 1 and other documents prescribed in the Cabinet Order must be attached to the registration application form prescribed in the immediately preceding Paragraph.

(Enforcement of Registration)

Article 6. The Prime Minister, if an application under Article 4 is made, must register the following matters to the Investment Advisers registry, except in cases where the Prime Minister denies the registration pursuant to the provisions of Paragraph 1 of the immediately following Article:

(1) Matters listed in each Item of Paragraph 1 of the immediately preceding article.

(2) Registration date and registration number.

2. When the registration prescribed in the immediately preceding Paragraph is completed, the Prime Minister must notify the applicant thereof without delay.

3. The Prime Minister must make the Investment Advisers registry available for public inspection.

(Denial of Registration)

Article 7. The Prime Minister must deny the registration, if the applicant falls under any of the following Items, or if there was a false statement or an omission of a material fact in the registration application form or in any of the attached documents thereto:

(1) A party who is incompetent or quasi-incompetent, or is treated in a similar manner under the laws of the foreign country where the party resides.

(2) A minor who does not possess the same level of legal capacity as an adult in relation to the business.

(3) A party who went bankrupt and has not yet been rehabilitated, or is treated in a similar manner under the laws of the foreign country where the party resides.

(4) A party whose registration under Article. 4 was revoked pursuant to the provision under Article 38, Paragraph 1 or whose approval in the Law Concerning Investment Trust and Investment Company (Law No. 198 of 1951) under Article 6 was revoked pursuant to the provisions under Article 41, Paragraph 1, Article 42, Paragraph 1, Item 1 (e) or Article. 43, and five (5) years have not lapsed since such revocation (in case such party whose registration or approval was revoked is a legal entity, including parties who were officers of such legal entity within thirty (30) days prior to such revocation, and five (5) years have not lapsed from such revocation.), or a party whose registration or approval of the same type received in a foreign country (including permissions related to such registration or approval and other administrative measures, referred to as "Registration, etc." in this Item and Article 27, Paragraph 2, Item 4 (a).) was revoked pursuant to the provisions of the foreign laws and regulations equivalent to this Law or the Law Concerning Investment Trust and Investment Company and five (5) years have not lapsed since such revocation (in case such party whose Registration, etc., was revoked was a legal entity, including parties who were officers of such legal entity within thirty (30) days prior to such revocation, and five (5) years have not passed from such revocation.).

(5) A party who received a sentence of imprisonment or more severe sentences (including sentences from equivalent laws of a foreign country), and five (5) years have not lapsed since serving the sentence or the cessation of the application of such sentence.

(6) A party who violated this Law, Securities Exchange Law, Law Concerning Foreign Security Firms (Law No. 5 of 1971) or the Law Concerning Investment Trust and Investment Company, or the laws and regulations of a foreign country which are equivalent to these laws, or committed the any crime under the Criminal Code (Law No. 45 of 1907), Article 204, Article 206, Article 208, Article 208-3, Article 222 or Article 247 or the Laws Regarding Penalties for Acts of Violence, etc. (Law No.60 of 1926), and received a fine (including penalties imposed by the equivalent laws of a foreign country), and five (5) years have not passed since the payment of the fine or the cessation of application of such penalty.

(7) A party who committed extraordinarily inappropriate acts in relation to the Investment Advisory Business, businesses related to Discretionary Investment Agreement, Investment Trust Management Business (investment trust management business as prescribed in the Law Concerning Investment Trust and Investment Company, Article 2, Paragraph 16. The same applies hereinafter.), or Investment Company Asset Management Business (investment company asset management business as prescribed under the same Article, Paragraph 17. The same applies hereinafter.) within five (5) years prior to the date of application.

(8) A legal entity whose officer or employee prescribed in the Ordinance (referred to as “Officer, etc.” in Article 27, Paragraph 2, Item 2.) falls under any of Item 1 or Items 3 through 7.

(9) An individual whose employee prescribed in the Ordinance includes a party who falls under any of Item 1 or Items 3 through 7.

2. If the registration is denied pursuant to the provisions of the immediately preceding Paragraph, the Prime Minister must notify the applicant thereof without delay with the reasons for the denial indicated.

(Reporting of Changes)

Article 8. If any change occurs in relation to matters listed in any Items of Article 5, an Investment Adviser must report such changes to the Prime Minister within two (2) weeks from the date of such change.

2. Upon receipt of the report of the immediately preceding Paragraph, the Prime Minister must register the reported change on the Investment Advisers registry.

(Reporting of Closure of Business, etc.)

Article 9. When an Investment Advisor falls under any of the following Items, the party prescribed in each Item must report such fact to the Prime Minister within thirty (30) days from the date thereof (in case of Item 1, from the date the party came to know of such fact.):

(1) When the Investment Advisor dies: The successor.

(2) When the legal entity is dissolved due to a merger: A party who was the representative officer of such legal entity.

(3) When the legal entity is dissolved due to an adjudication to commence bankruptcy proceedings: The trustee in bankruptcy.

(4) When the legal entity is dissolved due to a cause other than a merger or adjudication to commence bankruptcy proceedings: The liquidator.

(5) When the Investment Advisory Business is closed: The individual who was the Investment Advisor or the officer who represents the legal entity which was formerly the Investment Adviser.

2. When the Investment Adviser falls under any of the Items of the immediately preceding Paragraph, the registration for such Investment Adviser shall become ineffective.

3. When an Investment Adviser dies, the successor may continue to engage in the Investment Advisory Business for sixty (60) days (where the registration is denied pursuant to the provisions of Article 7, Paragraph 1 within such period or where an order for closure of the Investment Advisory Business is given pursuant to the provisions of Article 38, Paragraph 1 which shall be applied pursuant to the provisions of the immediately following Paragraph, until the date of such denial or the date of such closure of business is ordered.) after the death of the decedent. If the successor applies for a registration under Article 4 within such period, the same shall apply, even after the expiration of such period, until a registration is granted or denial of registration is imposed.

4. In a case where the successor may continue to engage in the Investment Advisory Business pursuant to the provisions of the immediately preceding Paragraph, the successor shall be deemed an Investment Advisor and Article 11, Article 12, Article 13, Paragraphs 1 and 2, Articles 14 through 22, Articles 34 through 37 and Article 38, Paragraph 1 (excluding Item 2) (including the penal rules related to these provisions) shall be applied. In such a case, “revoke the registration under Article 4” in the same Article, Paragraph 1 shall be read as “order the closure of the Investment Advisory Business.”

5. When applying Article 7, Paragraph 1, in case the closure of the Investment Advisory Business is ordered pursuant to the provisions under Article 38, Paragraph 1 which is applied pursuant to the immediately preceding Paragraph, the successor who is ordered to close the business shall be deemed a party whose registration under Article 4 is revoked pursuant to the provisions under Article 38, Paragraph 1 and the date of the order of closure of business shall be deemed the date on which the registration under Article 4 is revoked pursuant to the provisions of under Article 38, Paragraph 1.

(Business Guarantee Fund)

Article 10. An Investment Adviser must deposit a Business Guarantee Fund to a deposit office near its principal place of business.



2. The amount of the Business Guarantee Fund provided in the immediately preceding Paragraph shall be the amount determined in the Ordinance, taking into consideration the status of the Investment Adviser's business and the protection of investors which shall be determined separately for the principal place of business and for each of the other places of business.
3. If the Investment Adviser executes an agreement stipulating that the required Business Guarantee Fund shall be deposited for such Investment Adviser in response to the order by the Prime Minister and notifies the Prime Minister thereof, it may, subject to the Ordinance, elect not to deposit all or part of the Business Guarantee Fund of Paragraph 1 for such amount agreed upon to be deposited in the agreement (hereinafter, referred to as "Agreed Amount" in this Article.) as long as the agreement is still in effect.
4. When it deems necessary for the protection of the investors, the Prime Minister may order the party who executed the agreement provided in the immediately preceding Paragraph with the Investment Adviser or such Investment Adviser to deposit all or part of the Agreed Amount.
5. An Investment Adviser may not commence the Investment Advisory Business (in case the required amount of the business guarantee fund increases due to establishment of a new place of business after the commencement of the Investment Advisory Business.) at such of business, until after the business guarantee fund under Paragraph 1 (including the execution of the agreement provided in Paragraph 3.) is deposited and the fact is reported to the Prime Minister.
6. A party who executed an Investment Advisory Agreement or a Discretionary Investment Agreement with an Investment Adviser shall have the right for repayment on obligations arising from such agreements from the business guarantee fund ahead of other creditors.
7. Matters necessary for the exercise of the right provided in the immediately preceding Paragraph shall be prescribed in the Ordinance.
8. When the amount of the Business Guarantee Fund (including the Agreed Amount. The same applies to Paragraph 10.) becomes less than the amount prescribed in the Ordinance as provided in Paragraph 2 due to an exercise of the rights under Paragraph 6 or other reasons, the Investment Adviser must deposit the shortfall amount (including the execution of the agreement provided in Paragraph 3. The same applies to Article 56, Item 1.) within three (3) weeks from the date set forth in the Cabinet Order and notify the Prime Minister thereof without delay.
9. The Business Guarantee Fund to be deposited pursuant to Paragraph 1 or the immediately preceding Paragraph may be made in the form of government bonds, municipal bonds or other

Securities prescribed in the Cabinet Order (including corporate bonds, etc., eligible for book-entry transfer prescribed in the Law Concerning Book-Entry Transfer of Corporate Bonds, etc. (Law No. 75 of 2001), Article 129, Paragraph 1.).

Note: The amendment provisions for this Paragraph prescribed in the Law No.88 of 2004 shall become effective from the date prescribed in the Ordinance on or before June 8, 2009. The amendment shall not be incorporated in the text and shall be attached below:

9. The Business Guarantee Fund to be deposited pursuant to Paragraph 1 or the immediately preceding Paragraph may be made in the form of government bonds, municipal bonds or other Securities prescribed in the Cabinet Order (including bonds eligible for book-entry transfer prescribed in the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. (Law No. 75 of 2001), Article 300, Paragraph 1.)

10. When an Investment Advisor falls under any of the Items of the immediately preceding Article, Paragraph 1, the registration is revoked pursuant to Article 38, Paragraph 1 or 2, or the amount of the Business Guarantee Fund exceeds the amount prescribed in the Ordinance under Paragraph 2 due to closure of the Investment Advisory Business in certain places of business or other reasons, the Business Guarantee Fund deposited pursuant to the provision of Paragraph 1, 4 or 8 may be recovered in all or in part as prescribed in the Ordinance.

11. In addition to the provisions of the preceding Paragraphs, all necessary matters relating to the Business Guarantee Fund shall be prescribed in the Cabinet Orders and the Ministerial Decree of the Justice Ministry.

### **Chapter III. Business**

(Posting of Sign)

Article 11. An Investment Advisor must post a sign in the form prescribed in the Cabinet Order on a prominent space for public view for each place of business.

2. A party who is not an Investment Advisor must not post a sign provided in the immediately preceding Paragraph or any similar sign thereto.

(Prohibition of Name-Lending)

Article 12. An Investment Advisor may not cause another party to conduct the Investment Advisory Business using the name of such Investment Advisor.

(Regulation of Advertisements, etc.)

Article 13. When an Investment Advisor makes an advertisement concerning the content of the Investment Advisory Business it performs, the Investment Advisor must present items related to the provisions of Articles 18 and 19 as prescribed in the Cabinet Order.

2. When an Investment Advisor makes an advertisement concerning the content of the Investment Advisory Business it performs, it must not make any representations which substantially differ from the fact or is substantially misleading, with regard to its past performance of giving advice related to the Value of Securities, etc., or investment decisions based on the analysis of the Value of Securities, etc., and other items prescribed in the Cabinet Order.

3. An Investment Advisor must not make any representations which will mislead the public, that the receipt of the Registration under Article 4 is an endorsement of the Prime Minister on the Investment Adviser or a guarantee on the content of its advice.

(Delivery of Documents Prior to Execution of Agreements)

Article 14. An Investment Advisor seeking to execute an Investment Advisory Agreement must deliver to the client, documents clarifying all the following matters as prescribed in the Cabinet Order:

(1) Trade name, name and address of the Investment Adviser.

(2) Matters related to compensation.

(3) Matters related to the provisions of Articles 18 through 20.

(4) Matters prescribed in the Cabinet Order, in addition to those provided in the preceding Items.

2. An Investment Advisor may, in substitution of the delivery of the documents prescribed in the immediately preceding Paragraph, in accordance with the Ordinance, provide such information to be included in the documents in a method using electronic information processing system or other methods utilizing information technology prescribed in the Cabinet Order, with the approval from the client. In which case, such Investment Adviser is deemed to have delivered such documents.

(Delivery of Documents upon Execution of Agreements)

Article 15. An Investment Advisor having executed an Investment Advisory Agreement must deliver to the client, documents clarifying all the following matters, as prescribed in the Cabinet Order, without delay:

- (1) Trade name, name and address of the Investment Adviser.
- (2) Date of the agreement.
- (3) Content and method of advice.
- (4) Amount of compensation and timing of payment.
- (5) Matters related to termination of the agreement (including matters related to the provisions of Article 17, Paragraphs 1 through 4.).
- (6) Where a clause concerning the estimated amount of damages (including penalties for breach of contract.) is included, a detail description thereof.
- (7) Matters prescribed in the Cabinet Order, in addition to those provided in the preceding Items.

2. The provisions of the immediately preceding Article, Paragraph 2 shall be applied mutatis mutandis to the delivery of documents, pursuant to the provisions of the immediately preceding Paragraph.

3. The provision of information to be included in documents prescribed in Paragraph 1 by methods (excluding methods prescribed in the Cabinet Order) prescribed in the first half of the immediately preceding Article, Paragraph 2 as applied mutatis mutandis to the immediately preceding Paragraph in lieu of delivery of such documents, shall be deemed to be attained by such client as of the time when it is recorded in a file within the computer used by the client.

(Delivery of Documents to Clients with Agreements)

Article 16. An Investment Adviser must deliver documents clarifying all the following matters more than once per six (6) months to the client who has executed an Investment Advisory Agreement with the Investment Adviser, as prescribed in the Cabinet Order:

- (1) The purchase or sale of Securities, Securities Index etc., Futures Transactions etc., Securities Options Transactions, etc., Over-the-Counter Securities Index, etc., Forward Transactions, Over-the-Counter Securities Options Transactions or Over-the-Counter Securities Index, etc., Swap Transactions by such Investment Adviser for its own account involving transaction of the same issue which was the subject of the advice to such client.
- (2) In the case of the immediately preceding Item, if such transaction exists, whether it was purchase or sale (with respect to Securities Index, etc., Futures Transactions, etc., Securities Options

Transactions, etc., Over-the-Counter Securities Index, etc., Forward Transactions, Over-the-Counter Securities Options Transactions or Over-the-Counter Securities Index, etc., Swap Transactions, such matters equivalent to separation of purchase and sale as prescribed in the Cabinet Order.).

(3) Matters prescribed in the Cabinet Order, in addition to those provided in the preceding two (2) Items.

2. The provisions of Article 14, Paragraph 2 shall be applied mutatis mutandis to the delivery of documents to be made pursuant to the provisions of the immediately preceding Paragraph.

(Cancellation in Writing)

Article 17. A client who executed an Investment Advisory Agreement with an Investment Adviser may cancel such agreement in writing within a ten (10) day period from the date of receipt of the document provided in Article 15, Paragraph 1.

2. The cancellation provided in the immediately preceding Paragraph shall become effective at the time when the document indicating the cancellation of such agreement is sent out.

3. When a cancellation pursuant to the provisions of Paragraph 1 is made, the Investment Adviser may not request payment of damages or penalties caused by the cancellation of such agreement exceeding the amount prescribed in the Cabinet Order as compensation corresponding to the term prior to the cancellation.

4. When a cancellation pursuant to the provisions of Paragraph 1 is made and the compensation related to such agreement has been paid in advance, the Investment Advisor must return the amount prescribed in the Cabinet Order as the compensation corresponding to the term subsequent to the cancellation.

5. A special agreement contrary to the provisions of the preceding Paragraphs which are disadvantageous to the client shall be void.

(Prohibition of Securities Transactions)

Article 18. An Investment Advisor may not engage in the Securities Transactions with a client as the counterparty or for such client, in relation to its Investment Advisory Business.

(Prohibition of Acceptance of Deposit of Money or Securities, etc.)

Article 19. An Investment Adviser may not accept deposits of money or Securities from a client, or cause to deposit the money or Securities of a client with a party which is prescribed by the

Ordinance as a party which has a close relationship with such Investment Adviser, regardless of pretext, in relation to its Investment Advisory Business.

(Prohibition of Loan, Brokerage of Loan, etc. of Money or Securities)

Article 20. An Investment Adviser may not lend money or Securities to a client, or to act as a dealer, broker or agent for lending of money or Securities to a client by a third party.

(Duty of Loyalty)

Article 21. An Investment Adviser must conduct the Investment Advisory Business for its client with due faith in accordance with the purpose of the laws and regulations and the Investment Advisory Agreement.

(Prohibited Acts)

Article 22. An Investment Adviser may not engage in any of the following acts in relation to its Investment Advisory Business:

(1) To use fraudulent means, violence or intimidation in relation to the execution or cancellation of an Investment Advisory Agreement.

(2) To promise to a client to bear all or part of the loss, while solicitation.

(3) To promise to a client to provide special benefits, while solicitation.

(4) To offer or cause a third party to offer financial benefits to a client or a third party in order to compensate for part or all of the loss incurred by the client through a transaction made under the advice of the Investment Advisor, or to add to the profit of the client arising from a transaction made under the advice (excluding compensation of all or part of a loss incurred due to a cause attributable to the Investment Adviser).

(5) To provide advice to clients who executed Investment Advisory Agreements (if such Investment Adviser is an Approved Investment Advisor, clients who executed Investment Advisory Agreements or Discretionary Investment Agreements.) to execute a transaction among such clients for the benefit of a certain client which would hinder the interest of a specific client or to execute other transactions prescribed by the Ordinance.

(6) To provide advice concerning specific Securities, etc., without justifiable basis, with the purpose of promoting its own or a third party's (other than its client) interest by using the variation in the

price, index, numerical value or amount of consideration based on a transaction by a client made under its advice.

(7) To provide advice to execute a transaction with a condition which differs from those of ordinary transactions and which would hinder the interest of the client (excluding those falling under acts listed in Item 5.).

(8) In addition to those listed in the preceding Items, acts prescribed in the Cabinet Order as lacking in protection of investors, which impairs the fairness of transactions or which may cause loss of credibility on the Investment Advisory Business.

2. An Investment Adviser (limited to legal entities. The same applies hereinafter in this Paragraph.) may not engage in any of the following acts:

(1) To provide advice to execute a transaction which would hinder the interest of a client who has executed an Investment Advisory Agreement with the Investment Advisor, for the purpose of promoting the benefit of a beneficiary for an Investment Trust Property (investment trust property as prescribed in the Law Concerning Investment Trust and Investment Company, Article 14, Paragraph 1. The same applies hereinafter.) or the Investment Company (investment company as prescribed in the Law Concerning Investment Trust and Investment Company, Article. 2, Paragraph 19. The same applies hereinafter.) that manages the assets, for which an Investment Trust Manager (an investment trust manager as prescribed in the same Law, Article 2, Paragraph 18. The same applies to Article 30-3.) which is an Interested Party of such Investment Adviser (a party holding majority of the total shareholders' voting rights of such Investment Adviser (excluding the voting rights related to the types of stocks prescribed in the Commercial Code (Law No.48 of 1899), Article 211-2, Paragraph 4, but including the voting rights related to stocks deemed to have voting rights pursuant to the same Article, Paragraph 5. The same applies to Article. 30-3, Paragraph 2.) or other parties prescribed by the Ordinance as having close relations with such Investment Adviser. The same applies hereinafter in this Paragraph.) provides instruction for management.

(2) To provide advice to execute a transaction which is deemed unnecessary as to the frequency or the amount, in light of the policy on transactions based on investment decisions, transaction amount or the market condition, for the purpose of promoting the interest of Securities Firms, etc. (Securities Firm (securities firm as prescribed in the Securities Exchange Law, Article 2, Paragraph 9, including foreign securities firms as prescribed in the Law Concerning Foreign Securities Firms, Article 2, Item 2. The same applies hereinafter.), Securities Broker (securities brokers as prescribed in the Securities Exchange Law, Article 2, Paragraph 12. The same applies hereinafter) or Permitted

Foreign Securities Firms (permitted foreign securities firms as prescribed in the Law Concerning Foreign Securities Firms, Article. 2, Item 2-2. The same applies hereinafter.). The same applies hereinafter.), or Registered Financial Institution (registered financial institution as prescribed in the Securities Exchange Law, Article 65-2, Paragraph 3. The same applies to Article 30-3, Paragraph 2, Item 2.) which are Interested Parties of the Investment Adviser.

(3) To provide advice, for the purpose of creating an artificial market which does not reflect actual market conditions, in order to affect the conditions of Primary Offering of Securities (primary offering of Securities as prescribed in the Securities Exchange Law, Article 2, Paragraph 3. The same applies hereinafter) or Secondary Offering of Securities (secondary offering of Securities as prescribed in the same Law, Article 2, Paragraph 4. The same applies hereinafter.) for which a Securities Firm which is an Interested Party of the Investment Adviser is the Lead Underwriting Manager (a company which, upon execution of the agreement related to the basic underwriting (basic underwriting of Securities as prescribed in the same Law, Article 29, Paragraph 3.) (referred to as “Basic Underwriting Agreement” hereinafter in this Item.), may consult the Issuer (issuer as prescribed in the same Law, Article 2, Paragraph 5. The same applies hereinafter) or owner of the Securities related to the Basic Underwriting Agreement to determine the terms of such Basic Underwriting Agreement (referred to as “Lead Manager” hereinafter in this Item.), and the amount of its underwriting within the total issue price (referred to as “Underwriting Amount” hereinafter in this Item.) is not less than the Underwriting Amount of the other Lead Managers, or the amount received as the commission, compensation or other consideration is not less than the other Lead Managers. The same applies hereinafter.) for the Underwriting of the Securities (underwriting of Securities as prescribed in the same Law, Article 2, Paragraph 8, Item 4. The same applies hereinafter.).

(4) To provide advice to execute a transaction which would hinder the interest of a client who executed an Investment Advisory Agreement with the Investment Adviser for the purpose of promoting the benefit of a beneficiary of a trust property managed by a financial institution engaged in the Trust Business (trust business as prescribed in the Law Concerning the Concurrent Undertaking, etc. of Trust Business by Financial Institutions (Law No. 43 of 1943), Article 1, Paragraph 1 operated by a financial institution which has received the approval under the same Paragraph. The same applies hereinafter.) which is an Interested Party of the Investment Adviser.

(5) In addition to those listed in the preceding Items, acts prescribed in the Cabinet Order as lacking in protection of investors, which impairs the fairness of transactions or which may cause loss of credibility on the Investment Advisory Business.



(Scope of Business)

Article 23. An Investment Adviser seeking to engage in the Investment Trust Management Business, Investment Company Asset Management Business, Securities Business (securities business as prescribed in the Securities Exchange Law, Article 2, Paragraph 8. The same applies hereinafter.) or Trust Business must notify the Office of the Prime Minister thereof, pursuant to the provisions of the Cabinet Order.

(Special Provisions for Operation of Securities Business by Investment Advisers)

Article 23-2 In application of the provisions of Article 16, Paragraph 1 to a case of an Investment Adviser engaging in the Securities Business (excluding where such Investment Adviser is a Securities Broker.), “as prescribed in the Cabinet Order.” in the same Paragraph shall read “as prescribed in the Cabinet Order. The foregoing shall not apply in cases where an authorization by the Prime Minister is received, that the non-delivery of such documents to the client would not cause a hindrance to public interest or to the protection of investors.” and “advice to such client” in the same Paragraph, Item 1 shall be read as “advice to such client (limited to those prescribed in the Ordinance.)”

2. In case the Investment Adviser engages in the Securities Business (excluding where such Investment Adviser is a Securities Broker or a Permitted Foreign Securities Firm.), the provisions of Article 18 shall not apply to its Investment Advisory Business.

3. In application of the provisions of Article 18 where the Investment Adviser is a Securities Broker, “Securities Transactions” in the same Article shall be read as “Securities Transactions (excluding acts with its client being the counterparty listed in each Item of the Securities Exchange Law, Article 2, Paragraph 11).”

4. In application of the provisions of Article 18 where the Investment Adviser is a Permitted Foreign Securities Firm, “Securities Transactions” in the same Article shall be read as “Securities Transactions (excluding transactions through an exchange prescribed in the Law Concerning Foreign Securities Firms, Article 13-2, Paragraph 1.)”

5. In case the Investment Adviser engages in the Securities Business (excluding where such Investment Adviser is a Securities Broker or a Permitted Foreign Securities Firm.), the provisions of Article 19 shall not apply to its Investment Advisory Business.

6. In application of the provisions of Article 20 where the Investment Adviser engages in the Securities Business (excluding cases where such Investment Adviser is a Securities Broker or a Permitted Foreign Securities Firm.), “lending of money or Securities to a client” in the same Article

shall be read as “lending of money or Securities to a client (excluding lending to a client of a third party Securities Firm occurring while using margin transactions prescribed in the Securities Exchange Law, Article 156-24, Paragraph 1 and other acts prescribed by the Ordinance.)”, and “by a third party” shall be read as “by a third party. The foregoing shall not apply to the lending by such Investment Adviser to a client of such Investment Adviser in relation to a margin transaction prescribed in the same Paragraph and other acts prescribed by the Ordinance”.

7. In application of the provisions of Article 20 where the Investment Adviser is a Securities Broker, “a dealer” in the same Article shall be read as “a dealer (excluding a dealer for the loan to a client of the Securities Firm occurring while using the margin transaction prescribed in the Securities Exchange Law, Article 156-24, Paragraph 1 and other acts prescribed by the Ordinance.)”

8. In addition to the preceding Items, matters related to the application of the provisions of this Law in case an Investment Adviser engages in the Securities Business shall be prescribed in the Ordinance.

(Special Provisions for Operation of Trust Business by Investment Advisers)

Article 23-3 In application of the provisions of Article 16, Paragraph 1 to a case where an Investment Adviser engages in the Trust Business, “as prescribed in the Cabinet Order.” in the same Paragraph shall be read as “as prescribed in the Cabinet Order. The foregoing shall not apply to cases where an authorization by the Prime Minister is received, that non-delivery of such documents to the client would not cause a hindrance to the public interest or to the protection of investors.” and “advice to such client” in the same Paragraph, Item 1 shall be read as “advice to such client (limited to those prescribed in the Ordinance.)”

2. Where the Investment Adviser engages in the Trust Business, the provisions of Articles 18 and 19 shall not apply to its Investment Advisory Business.

3. In application of the provisions of Article 20 to a case where an Investment Adviser engages in the Trust Business, “lend money or Securities to a client, or to act as a dealer” shall be read as “act as a dealer” and “by a third party.” shall be read as “by a third party. The foregoing shall not apply to the Investment Adviser’s acts as a dealer for lending money to a client of a third party bank or other financial institutions prescribed by the Ordinance and other acts prescribed in the Ordinance.”

4. In addition to the preceding three Items, matters related to the application of the provisions of this Law in case an Investment Adviser engages in the Trust Business shall be prescribed in the Ordinance.

(Prohibited Acts for Investment Advisers Engaging in Investment Trust Management Business, etc.)

Article 23-4 An Investment Adviser may not engage in any of the following acts against a client who executed an Investment Advisory Agreement if it engages in the Investment Trust Management Business or Investment Company Asset Management Business:

(1) To provide advice to execute a transaction which would hinder the interest of a client who executed an Investment Advisory Agreement, for the purpose of promoting the benefit of a beneficiary of a specific Investment Trust Property for which it provides instruction for management as part of its Investment Trust Management Business, or the benefit of a specific Investment Company for which it manages assets as part of its Investment Company Asset Management Business.

(2) In addition to those listed in the immediately preceding Item, acts prescribed in the Cabinet Order as lacking in the protection of investors, which impairs the fairness of transactions or which may cause loss of credibility on the Investment Advisory Business.

Article 23-5 An Investment Adviser may not engage in any of the following acts against a client who executed an Investment Advisory Agreement if it engages in the Securities Business:

(1) To provide advice for the purpose of promoting the benefit of a specific client who executed an Investment Advisory Agreement based on non-public information concerning an Issuer of Securities or a client related to the Securities Business (non-public material information concerning the operation, business or asset of such Issuer acquired through the Securities Business which is deemed to affect the transaction of the client who executed an Investment Advisory Agreement, or the purchase or sale of Securities and trends in the orders related to other transactions and other special information related to a client of the Securities Business which an officer (including a domestic representative. (a domestic representative as prescribed in the Law Concerning Foreign Securities Firms, Article 2, Item 9.)) or an employee prescribed in the Ordinance or an individual who is a Securities Broker concurrently undertaking the Investment Advisory Business obtained in the course of their duties. The same applies to Article 31-5, Item 1.).

(2) To provide advice to execute a transaction which is deemed unnecessary as to the frequency or the amount, in light of the policy on transactions based on investment decisions, transaction amount or the market condition, for the purpose of promoting the interest from the Securities Business.

(3) To provide advice for the purpose of creating an artificial market which does not reflect the actual condition, in order to affect the conditions of the Primary Offering or Secondary Offering of Securities for which it is the Lead Underwriting Manager of the underwriting.

(4) In addition to those listed in the preceding three (3) Items, acts prescribed in the Cabinet Order as lacking in the protection of investors, which impairs the fairness of transactions or which may cause loss of credibility on the Investment Advisory Business.

Article 23-6 An Investment Adviser may not engage in any of the following acts against a client who executed an Investment Advisory Agreement if it engages in the Trust Business:

(1) To provide advice to execute a transaction which would hinder the interest of a client who executed an Investment Advisory Agreement for the purpose of promoting the benefit of a beneficiary of a specific trust property which it manages as part of its Trust Business.

(2) To provide advice for the purpose of promoting the benefit of a specific client who executed an Investment Advisory Agreement based on non-public information concerning an Issuer of Securities or a client related to the Securities Business (businesses of a financial institution engaged in the Trust Business to conduct acts prescribed in each Item of the Securities Exchange Law, Article 65, Paragraph 2 which relate to Securities or transactions listed in the same Items. The same applies hereinafter. ) (non-public material information concerning the operation, business or asset of such Issuer acquired through the Securities Business which is deemed to affect the transaction of the client who executed an Investment Advisory Agreement, or the purchase or sale of Securities and trends in the orders related to other transactions and other special information related to a client of the Securities Business which an officer or an employee prescribed in the Ordinance of the financial institution engaged in the Trust Business which is concurrently undertaking the Investment Advisory Business obtained in the course of their duties. The same applies to Article 31-6, Item 2.).

(3) To provide advice to execute a transaction which is deemed unnecessary as to the frequency or the amount, in light of the policy on transactions based on investment decisions, transaction amount or the market condition, for the purpose of promoting the interest from the Securities Business.

(4) To provide advice for the purpose of creating an artificial market which does not reflect the actual condition, in order to affect the conditions of the Primary Offering or Secondary Offering of Securities for which it is the Lead Underwriting Manager of the underwriting.

(5) In addition to those listed in the preceding Items, acts prescribed in the Cabinet Order as lacking in the protection of investors, which impairs the fairness of transactions or which may cause loss of credibility on the Investment Advisory Business.

#### **Chapter IV. Businesses Related to Discretionary Investment Agreement**

(Approvals)

Article 24. If an Investment Adviser seeks to engage in a business related to a Discretionary Investment Agreement, it must disclose the content and the methods of the business intended, and obtain an approval from the Prime Minister.

2. A party seeking to obtain the approval of the immediately preceding Paragraph must be a stock corporation (including a legal entity established under the laws and regulations of a foreign country which is the same type as the stock corporation and has a domestic place of business. Referred to as “Stock Corporations, etc.,” in Article 27, Paragraph 2.).

3. Upon granting of approval provided in Paragraph 1 to an Investment Adviser, the Prime Minister must append a note regarding such fact to the registration of such Investment Adviser.

(Conditions for Approval)

Article 25. The Prime Minister may attach conditions to the approval, provided in the immediately preceding Article, Paragraph 1.

2. The conditions provided in the immediately preceding Paragraph must be to the minimum extent necessary for the protection of the investors.

(Application for Approval)

Article 26. A party seeking to obtain an approval prescribed in Article. 24, Paragraph 1 must submit an application form including all of the following matters to the Prime Minister:

(1) Trade name and address.

(2) Amount of paid-in-capital.

(3) Names of directors and statutory auditors (directors and executive officers in case the party is a company with committees (Referred to as “Company with Committees” in Article 30.) prescribed in the Law for Special Provisions for the Commercial Code Concerning Audits, etc. of Stock Corporation (Law No. 22 of 1974), Article 1-2, Paragraph 3.).

(4) The names and addresses of places of business.

2. Articles of incorporation, certificate of commercial registration of the applicant, the document containing items prescribed by the Cabinet Order concerning the content and method of business,

and other documents prescribed in the Cabinet Order, must be attached to the application form prescribed in the immediately preceding Paragraph.

3. In the case of the immediately preceding Paragraph, if the articles of incorporation are prepared with Electronic Record (records prepared in electronic format, magnetic format or other formats which cannot be recognized through human perception, which are utilized for information processing by a computer. The same applies hereinafter in this Paragraph.), an Electronic Record (limited to a format of record prescribed by the Cabinet Order) may be attached in lieu of a document.

(Standards of Approval)

Article 27. In granting the approval under Article 24, Paragraph 1, the Prime Minister must examine whether or not the following standards are satisfied:

(1) The applicant has sufficient asset base for the sound performance of the intended business, and the outlook of the income and expenditures of such business of the applicant is favorable.

(2) The applicant is a party who possesses the knowledge and experience to conduct the intended business in a fair and appropriate manner in light of its human resources structure, and to maintains sufficient social credibility.

2. The Prime Minister must grant the approval under Article 24, Paragraph 1, if it acknowledges that the application satisfies the standards of the immediately preceding Paragraph after the examination thereunder, unless the applicant falls under any of the following Items:

(1) A Stock Corporation, etc., whose approval under Article 24, Paragraph 1 was revoked pursuant to the provisions of Article 39, Paragraph 1 or whose approval of the same kind received in a foreign country (including any permission or other administrative actions similar thereto) is revoked pursuant to the provisions of the foreign laws and regulations equivalent to this Law, and five (5) years have not lapsed since the date of such revocation.

(2) A Stock Corporation, etc., whose Officer, etc., includes a person who was an Officer, etc., within thirty (30) days prior to the revocation prescribed in the immediately preceding Paragraph, and five (5) years have not passed since the date of such revocation.

(3) A Stock Corporation, etc., which has an individual Principal Shareholder (if the applicant is a Subsidiary of a Holding Company (a holding company as prescribed in the Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade (Law No. 54 of 1947), Article

9, Paragraph 5, Item 1. The same applies hereinafter to this Item, Article 29-5 and Article 36, Paragraph 2.), including the Principal Shareholder of such Holding Company. The same applies to the immediately following Item.) who falls under any of the following:

(a) A party who was an Officer, etc., within thirty (30) days prior to the revocation prescribed in Item 1 and five (5) years have not passed since the date of such revocation.

(b) A party who is incompetent or quasi-incompetent, or treated in a similar manner under the laws of a foreign country, and whose legal representative falls under any of the categories provided in Article 7, Paragraph 1, Items 1 through 6 or (a).

(c) A party who falls under any of Article 7, Paragraph 1, Items 2 through 6.

(4) A Stock Corporation, etc. which has a corporate Principal Shareholder that falls under any of the following:

(a) A party whose registration under Article 4 was revoked pursuant to the provisions of Article 38, Paragraph 1, whose approval under Article 24, Paragraph 1 was revoked pursuant to the provisions of Article 39, Paragraph 1 or whose approval under Article 6 of the Law Concerning Investment Trust and Investment Company was revoked pursuant to Article 41, Paragraph 1, Article 42, Paragraph 1, Item 1, (e) or Article 43 of the same Law, or whose approval of the same kind received in a foreign country was revoked pursuant to the provisions of the foreign laws and regulations equivalent to this Law or the Law Concerning Investment Trust and Investment Company, and five (5) years have not passed since the date of such revocation.

(b) A party who violated the provisions of this Law, Securities Exchange Law, Law Concerning Foreign Securities Firms or Law Concerning Investment Trust and Investment Company, or the equivalent laws and regulations of a foreign country and received a fine (including penalties under equivalent laws and regulations of a foreign country), and five (5) years have not passed since the payment of the fine or the cessation of the application of such fine.

(c) A party whose representative of the legal entity includes a party who falls under any of Article 7, Paragraph 1, Items 1 through 6 or the immediately preceding Item (a).

3. "Principal Shareholder" prescribed in Items 3 and 4 of the immediately preceding Paragraph shall mean a party who holds no less than twenty percent (20%) (if matters prescribed in the Cabinet Order as those expected to materially affect decisions related to financial and operational policy of a corporation exist, fifteen percent (15%)) of total shareholders' voting rights or total investors'

voting rights (in a stock corporation or a limited liability company, excluding the voting rights related to the type of shares or equities prescribed in the Commercial Code, Article 211-2, Paragraph 4, but including voting rights related to shares and equities deemed to have voting rights pursuant to the provisions of the same Article, Paragraph 5. The same applies hereinafter to this Paragraph and Article 29-2, Paragraph 1.) (excluding those prescribed in the Cabinet Order taking into consideration the form of ownership and other conditions, referred to as “Target Voting Rights” hereinafter in this Article and Article 29-2, Paragraph 1.).

Note: The amendment provisions for this Paragraph prescribed in the Law No.88 of 2004 shall become effective from the date prescribed in the Ordinance on or before June 8, 2009. The amendment shall not be incorporated in the text and shall be attached below.

3. “Principal Shareholder” prescribed in Items 3 and 4 of the immediately preceding Paragraph shall mean a party who holds no less than twenty percent (20) (if matters prescribed in the Cabinet Order as those expected to materially affect decisions related to financial and operational policy of a corporation exist, fifteen percent (15%).) of total shareholders’ voting rights or total investors’ voting rights (in a stock corporation or a limited liability company, excluding the voting rights related to the type of shares or equities prescribed in the Commercial Code, Article 211-2, Paragraph 4, but including voting rights related to shares and equities deemed to have voting rights pursuant to the provisions of the same Article, Paragraph 5. The same applies hereinafter to this Paragraph and Article 29-2, Paragraph 1.) (including voting rights related to stocks or equities which are not perfected vis-à-vis the Issuer pursuant to the provisions of the Law Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc., Article 155, Paragraph 1 or Article 156, Paragraph 1 (including cases where these provisions are applied mutatis mutandis to the same law, Article 252, Paragraph 1, Article 261, Paragraph 1, Article 268, Paragraph 1 and Article 298, Item 2.), but excluding those prescribed in the Cabinet Order taking into consideration the form of ownership and other conditions, referred to as “Target Voting Rights” hereinafter in this Article and Article 29-2, Paragraph 1.).

4. “Subsidiary” as prescribed in Paragraph 2, Item 3 shall mean a company the majority of the voting rights of the total shareholders or total equity holders of which is held by other company (excluding voting rights related to the type of shares or equities prescribed in the Commercial Code, Article. 211-2, Paragraph 4, but including the voting rights related to shares or equities which are deemed to have voting rights pursuant to the provisions of the same Article, Paragraph 5. The same applies hereinafter.). In this case, the majority of the voting rights of total shareholders or total equity holders of a company is held by other company and one or more of such other company’s Subsidiaries, or one or more of the Subsidiaries of such other company shall also be deemed a Subsidiary of such other company.



5. In application of Paragraph 3 to cases prescribed in the following Items, the voting rights prescribed in each of the Items are deemed to be held:

(1) Where the right to exercise the Target Voting Right of a company or the right to instruct the exercise of the Target Voting Right is held in accordance with the provisions of a monetary trust agreement or other contracts or law and regulations: such Target Voting Right

(2) Where a party who has ownership relationship regarding the shares, kinship or other special relationship prescribed in the Ordinance holds the Target Voting Rights of the company: such Target Voting Rights held by such party with a special relationship

6. Matters necessary for the application of the provisions of Paragraph 3 and the immediately preceding Paragraph shall be prescribed by the Ordinance.

(Approval for Change of Content and Method of Business)

Article 28. An Approved Investment Adviser must obtain an approval from the Prime Minister if it seeks to change the content or method of business related to Discretionary Investment Agreement.

(Reporting of Closure of Business Related to Discretionary Investment Agreement)

Article 29. An Approved Investment Adviser which has become to fall under any of the following Items must report such fact to the Prime Minister within two (2) weeks from the date thereof:

(1) When it closes, suspends or resumes the business related to Discretionary Investment Agreement.

(2) When it closes, suspends or resumes the business related to the report under Article 23.

(3) When it closes, suspends or resumes the business related to the authorization under the proviso of Article 31, Paragraph 1.

(4) When it closes, suspends or resumes the business related to the approval under Article 31, Paragraph 2.

(5) When there is a change in the content of the report under Article 31, Paragraph 3, or when it closes, suspends or resumes the business related to such report.

(6) Other cases where other matters prescribed in the Cabinet Order concerning the business related to Discretionary Investment Agreement becomes applicable.

2. If an Approved Investment Adviser closes the business related to Discretionary Investment Agreement, such approval shall become void.

(Reporting of Principal Shareholders)

Article 29-2 A party who has become a Principal Shareholder of an Approved Investment Adviser (a Principal Shareholder as prescribed in Article 27, Paragraph 3. The same applies to Article 29-4, and Article 36, Paragraph 2.) must submit a Target Voting Right ownership report specifying the holding ratio of the Target Voting Rights (a ratio calculated by dividing the number of such Target Voting Rights owned by such party by the sum of total shareholders' or total investors' voting rights of such Approved Investment Adviser.), the purpose of holding and other matters prescribed in the Cabinet Order to the Prime Minister without delay.

2. A covenant certifying that the reporter falls under neither of the categories prescribed in Article 27, Paragraph 2, Items 3 and 4, and other documents prescribed in the Cabinet Order, must be attached to the Target Voting Right ownership report as provided in the immediately preceding Paragraph.

(Order for Action Against Principal Shareholders)

Article 29-3 When a Principal Shareholder of an Approved Investment Adviser falls under any of Article 27, Paragraph 2, Item 3, (a) through (c), or Item 4, (a) through (c), the Prime Minister may order such Principal Shareholder to take measures to cease from being a Principal Shareholder of such Approved Investment Adviser and other necessary measures within a period which shall be no more than three (3) months.

(Reporting of Disqualification as Principal Shareholder)

Article 29-4 A Principal Shareholder of an Approved Investment Adviser who no longer qualifies as a Principal Shareholder of such Approved Investment Adviser must report such disqualification to the Prime Minister without delay.

(Application of Provisions related to Principal Shareholders)

Article 29-5 The provisions of the previous three (3) Articles shall be applied to shareholders and investors of a Holding Company who owns an Approved Investment Adviser as a Subsidiary (a Subsidiary as prescribed in Article 27, Paragraph 4. The same applies to Article 36, Paragraph 2.).

(Limitations on Concurrent Undertaking by Directors)

Article 30. A director who engages in the ordinary course of business of an Approved Investment Adviser (an executive officer in case of a Company with Committees, a representative prescribed in the Commercial Code, Article. 479, Paragraph 1 and officers assigned to a domestic place of business (excluding statutory auditors and other parties who hold similar positions.) in case of a legal

entity established in accordance with laws and regulations of a foreign country.) may not engage in the ordinary course of business of other companies or operate another business unless otherwise approved by the Prime Minister.

(Duty of Loyalty)

Article 30-2 An Approved Investment Adviser (including a party receiving reassignment pursuant to an agreement prescribed in Article 2, Paragraph 4, Item 2, provided in the Ordinance as prescribed in the same Item. The same applies in the immediately following Article.) must conduct the business related to Discretionary Investment Agreement for the client with due faith, pursuant to the purpose of the laws and regulations and the Discretionary Investment Agreement.

(Prohibited Acts)

Article 30-3 An Approved Investment Adviser may not engage in any of the following acts in relation to its business related to the Discretionary Investment Agreement:

- (1) To use fraudulent means, violence or intimidation in relation to the execution or cancellation of a Discretionary Investment Agreement.
- (2) To promise to a client to bear all or part of the loss, while solicitation.
- (3) To promise to a client to provide special benefits, while solicitation.
- (4) To offer or cause a third party to offer financial benefits to a client or a third party in order to compensate for part or all of the loss incurred by the client through an investment conducted by such Approved Investment Adviser or to add to the profit of the client arising from an investment conducted by such Approved Investment Adviser (excluding compensation of all or part of a loss incurred due to a cause attributable to the Approved Investment Adviser).
- (5) To make an investment based on an investment decision by executing a transaction among the clients who executed Investment Advisory Agreements or Discretionary Investment Agreements to promote the benefit of a certain client by hindering the interest of a specific client or to execute other transactions prescribed by the Ordinance.
- (6) To make an investment in specific Securities, etc., without justifiable basis, with the purpose of promoting its own or a third party's (other than its client) interest by using the variation in the price, index, numerical value or amount of consideration based on an investment conducted by the Approved Investment Adviser.

(7) To make an investment based on an investment decision to execute a transaction with a condition which differs from the conditions of ordinary transactions and which would hinder the interest of its client (excluding those falling under acts listed in Item 5.).

(8) In addition to those listed in the preceding Items, acts prescribed in the Cabinet Order as lacking in the protection of investors, which impairs the fairness of transactions or which may cause loss of credibility on the business related to Discretionary Investment Agreements.

2. Approved Investment Advisers may not engage in any of the following acts:

(1) To make an investment based on an investment decision to execute a transaction which would hinder the interest of a client who executed a Discretionary Investment Agreement with such Approved Investment Adviser, for the purpose of promoting the benefit of a beneficiary of an Investment Trust Property or the Investment Company who manages the assets, for which an Investment Trust Manager which is an Interested Party of the Approved Investment Adviser (a party holding the majority of the total shareholders' voting rights of such Approved Investment Adviser, or other parties prescribed in the Ordinance as having a close relationship with such Approved Investment Adviser. The same applies hereinafter in this Paragraph.) provides instruction for management.

(2) To make an investment to execute a transaction which is deemed unnecessary as to the frequency or the amount, in light of the policy on transactions based on investment decisions, transaction amount or the market condition, for the purpose of promoting the interest of the Securities Firm, etc., or the Registered Financial Institution which is an Interested Party of the Approved Investment Adviser.

(3) To make an investment based on an investment decision for the purpose of creating an artificial market which does not reflect the actual condition in order to affect the conditions of the Primary Offering or Secondary Offering of Securities for which a Securities Firm which is an Interested Party of the Approved Investment Adviser is the Lead Underwriting Manager for the Underwriting of the Securities.

(4) To make an investment based on the investment decision to execute a transaction which would hinder the interest of a client who executed a Discretionary Investment Agreement with such Approved Investment Adviser, for the purpose of promoting the benefit of the beneficiary of a trust property which is managed by a financial institution engaged in the Trust Business which is an Interested Party of the Approved Investment Adviser.

(5) In addition to those listed in the preceding Items, acts prescribed in the Cabinet Order as lacking in the protection of investors, which impairs the fairness of transactions or which may cause loss of credibility on the business related to Discretionary Investment Agreements.

(Reassignment of Investment Decisions, etc, Entrusted by Clients)

Article 30-4 An Approved Investment Adviser may not deem all of the Discretionary Investment Agreements executed to be the agreement prescribed in Article 2, Paragraph 4, Item 2 and reassign, with respect to all such agreements, the investment decision making entrusted and authorities assigned by the client prescribed in the same Item to the parties prescribed in the same Item as provided in the Ordinance.

(Limitations, etc., on Concurrent Undertakings)

Article 31. An Approved Investment Adviser may not engage in any businesses other than the Investment Advisory Business, business related to Discretionary Agreements, Investment Trust Management Business, Investment Company Asset Management Business, Securities Business and Trust Business. The foregoing shall not apply to businesses deemed not a hindrance to public interest or to the protection of investors in relation to the undertaking of the Investment Advisory Business and business related to Discretionary Investment Agreement by such Approved Investment Adviser, if authorized by the Prime Minister.

2. Where an Approved Investment Adviser seeks to engage in the Securities Business or Trust Business pursuant to the provisions of the immediately preceding Paragraph, notwithstanding the provisions of Article 23, an approval of the Prime Minister must be obtained.

3. Where an Approved Investment Adviser engages in the Securities Business (excluding where such Approved Investment Adviser is a Securities Broker or Permitted Foreign Securities Firms.) or Trust Business with the approval of the immediately preceding Paragraph, it may engage in businesses other than the businesses prescribed in the text of Paragraph 1 without the authorization under the proviso of Paragraph 1 by notifying the Prime Minister thereof.

(Special Provisions for Operation of Securities Business by Approved Investment Advisers)

Article 31-2 In application of the provisions of Article 16, Paragraph 1, as applied mutatis mutandis by Article 33, to a case where an Approved Investment Adviser engaging in the Securities Business (excluding where such Approved Investment Adviser is a Securities Broker.), “as prescribed in the Cabinet Order.” in the same Paragraph shall be read as “as prescribed in the Cabinet Order. The foregoing shall not apply to a case where an authorization by the Prime Minister is received that non-delivery of such documents to the client would not cause a hindrance to public

interest or to the protection of investors.” and “advice to such client” in the same Paragraph, Item 1 shall be read as “advice to such client (limited to those prescribed in the Ordinance).”

2. In case the Approved Investment Adviser engages in the Securities Business (excluding where such Investment Adviser is a Securities Broker or a Permitted Foreign Securities Firm.), the provisions of Article 18, as applied mutatis mutandis by Article 33, shall not be applicable.

3. In application of the provisions of Article 18, applied mutatis mutandis by Article 33, where the Approved Investment Adviser is a Securities Broker, “Securities Transactions” in the same Article shall be read as “Securities Transactions (excluding acts with its client being the counterparty listed in each Item of the Securities Exchange Law, Article 2, Paragraph 11).”

4. In application of the provisions of Article 18, applied mutatis mutandis by Article 33, where the Approved Investment Adviser is a Permitted Foreign Securities Firm, “Securities Transactions” in the same Article shall be read as “Securities Transactions (excluding transactions through an exchange prescribed in the Law Concerning Foreign Securities Firms, Article 13-2, Paragraph 1.)”.

5. In case the Approved Investment Adviser engages in the Securities Business (excluding where such Approved Investment Adviser is a Securities Broker or a Permitted Foreign Securities Firm.), the provisions of Article 19, as applied mutatis mutandis by Article 33, shall not be applicable.

6. In application of the provisions of Article 20, as applied mutatis mutandis by Article 33, where the Approved Investment Adviser engages in the Securities Business (excluding where such Approved Investment Adviser is a Securities Broker or a Permitted Foreign Securities Firm.), “lending to a client of a Securities Firm occurring while using margin transactions prescribed in the Securities Exchange Law, Article 156-24, Paragraph 1” shall be read as “lending to a client of a third party Securities Firm occurring while using margin transactions prescribed in the Securities Exchange Law, Article 156-24, Paragraph 1 and other acts prescribed in the Ordinance,” and “by a third party” shall be read as “by a third party. The foregoing shall not apply to the lending by such Approved Investment Adviser to a client of such Approved Investment Adviser in relation to a margin transaction prescribed in the same Paragraph and other acts prescribed by the Ordinance”.

7. In application of the provisions of Article 20, as applied mutatis mutandis by Article 33, where the Approved Investment Adviser is a Securities Broker, “act as a dealer, broker or agent for lending (excluding lending to a client of a Securities Firm occurring while using margin transactions prescribed in the Securities Exchange Law, Article 156-24, Paragraph 1.)” in the same Article shall be read as “act as a dealer (excluding acting as a dealer for lending to a client of a Securities Firm occurring while using margin transactions prescribed in the Securities Exchange Law, Article

156-24, Paragraph 1 or other acts prescribed in the Ordinance.), broker or agent for lending (excluding lending to a client of a Securities Firm occurring while using margin transactions prescribed in the same Paragraph.)”

8. In addition to the preceding Items, matters related to the application of the provisions of this Law in case an Approved Investment Adviser engages in the Securities Business (limited to those related to its business related to Discretionary Investment Agreement.) shall be prescribed in the Ordinance.

(Special Provisions for Operations of Trust Business by Approved Investment Advisers)

Article 31-3 In application of the provisions of Article 16, Paragraph 1, as applied mutatis mutandis by Article 33, to a case where an Approved Investment Adviser engages in the Trust Business, “as prescribed in the Cabinet Order.” in the same Paragraph shall be read as “as prescribed in the Cabinet Order. The foregoing shall not apply cases where an authorization by the Prime Minister is received, that the non-delivery of such documents to the client would not cause a hindrance to the public interest or to the protection of investors.” and “advice to such client” in the same Paragraph, Item 1 shall be read as “advice to such client (limited to those prescribed in the Ordinance.)”

2. Where an Approved Investment Adviser engages in the Trust Business, the provisions of Articles 18 and 19, as applied mutatis mutandis by Article 33, shall not be applicable.

3. In application of the provisions of Article 20, as applied mutatis mutandis by Article 33, to a case where an Approved Investment Adviser engages in Trust Business, “lend money or Securities to a client, or to act as a dealer” shall be read as “act as a dealer” and “by a third party.” shall be read as “by a third party. The foregoing shall not apply to the Approved Investment Adviser’s acts as a dealer for lending money to a client of a third party bank or other financial institutions as prescribed by the Ordinance and other acts prescribed in the Ordinance.”

4. Where an Approved Investment Adviser engages in the Trust Business, the provisions of Article 27, Paragraph 2 (excluding Items 1 and 2.), Articles 29-2 through 29-5 and Article 36, Paragraph 2 shall not be applicable.

5. In addition to the preceding Items, matters related to the application of the provisions of this Law in case an Approved Investment Adviser engages in the Trust Business (limited to those related to its business related to Discretionary Investment Agreement.) shall be prescribed in the Ordinance.

(Prohibited Acts for Approved Investment Advisers Engaging in Investment Trust Management Business, etc.)

Article 31-4 An Approved Investment Adviser may not engage in the following acts against a client who executed a Discretionary Investment Agreement, if it engages in the Investment Trust Management Business or Investment Company Asset Management Business:

(1) To make an investment based on an investment decision to execute a transaction which would hinder the interest of a client who executed a Discretionary Investment Agreement, for the purpose of promoting the benefit of a beneficiary of a specific Investment Trust Property for which it provides instruction for management as part of its Investment Trust Management Business or the benefit of a specific Investment Company for which it manages the assets as part of its Investment Company Asset Management Business.

(2) In addition to those listed in the immediately preceding Item, acts prescribed in the Cabinet Order as lacking in the protection of investors, which impairs the fairness of transactions or which may cause a loss of credibility on the business related to Discretionary Investment Agreements.

Article 31-5 An Approved Investment Adviser may not engage in the following acts against a client who executed a Discretionary Investment Agreement, if it engages in the Securities Business with the approval under Article 31, Paragraph 2:

(1) To make an investment based on an investment decision with the purpose of promoting the benefit of a specific client who executed a Discretionary Investment Agreement based on non-public information concerning an Issuer of Securities or a client related to the Securities Business.

(2) To execute a transaction which is deemed unnecessary as to the frequency or the amount, in light of the policy on transactions based on investment decisions, transaction amount or the market condition, for the purpose of promoting the interest from the Securities Business.

(3) To make an investment based on an investment decision for the purpose of creating an artificial market which does not reflect the actual condition in order to affect the conditions of the Primary Offering or Secondary Offering of Securities for which it is the Lead Underwriting Manager of the underwriting.

(4) In addition to those listed in the preceding three (3) Items, acts prescribed in the Cabinet Order as lacking in the protection of the investors, which impairs the fairness of transactions or which may cause a loss of credibility on the business related to Discretionary Investment Agreements.



Article 31-6 An Approved Investment Adviser may not engage in the following acts against a client who executed a Discretionary Investment Agreement if it engages in the Trust Business with the approval under Article 31, Paragraph 2:

(1) To make an investment based on the investment decision to execute a transaction which would hinder the interest of a client who executed a Discretionary Investment Agreement for the purpose of promoting the benefit of a beneficiary of a specific trust property which it manages as part of its Trust Business.

(2) To make an investment based on an investment decision with the purpose of promoting the benefit of a specific client who executed a Discretionary Investment Agreement based on non-public information concerning an Issuer of Securities or a client related to the Securities Business.

(3) To execute a transaction which is deemed unnecessary as to the frequency or the amount, in light of the policy on transactions based on investment decisions, transaction amount or the market condition, for the purpose of promoting the interest from the Securities Business.

(4) To make an investment based on an investment decision for the purpose of creating an artificial market which does not reflect the actual condition in order to affect the conditions of the Primary Offering or Secondary Offering of Securities for which it is the Lead Underwriting Manager of the underwriting.

(5) In addition to those listed in the preceding Items, acts prescribed in the Cabinet Order as lacking in the protection of investors, which impairs the fairness of transactions or which may cause a loss of credibility on the business related to Discretionary Investment Agreements.

(Delivery of Reports)

Article 32. An Approved Investment Adviser must deliver reports explaining the status of the assets of a client related to the Discretionary Investment Agreement, more than once per six (6) months to the client who executed a Discretionary Investment Agreement, as prescribed in the Cabinet Order.

2. The provisions of Article 14, Paragraph 2, shall be applied mutatis mutandis to the delivery of reports to be made pursuant to the provisions of the immediately preceding Paragraph.

(Mutatis Mutandis Application of Provisions)

Article 33. The provisions of Article 12, Article 13 (excluding Paragraph 1.), Article 14 (excluding Paragraph 1, Item 3.), Article 15, Paragraphs 1 and 2, Article 16, and Articles 18 through 20 shall be

applied mutatis mutandis in cases where an Investment Adviser engages in the business related to Discretionary Investment Agreement as an Approved Investment Adviser. In which case, “the advice related to the Valuation of Securities, etc., or investment decisions based on the analysis of the Value of Securities, etc.,” in Article 13, Paragraph 2, shall be read as “an investment made by entrustment from a client who has executed a Discretionary Investment Agreement,” “registration under Article 4” and “advice” in the same Article, Paragraph 3 shall be read as “approval under Article 24, Paragraph 1” and “investment decision,” “Investment Advisory Agreement” in Article 14, Paragraph 1 shall be read as “Discretionary Investment Agreement,” “Investment Advisory Agreement” in Article 15, Paragraph 1 shall be read as “Discretionary Investment Agreement,” “Content and method of advice” in the same Paragraph, Item 3 shall be read as “Matters related to the scope of entrustment of investment decision and making of investments (if all or part of the authority for investment decision making and making of investments are reassigned to a party provided in the Ordinance as prescribed in Article 2, Paragraph 4, Item 2, including the name of such party prescribed by the Ordinance and the scope of such reassignment. ),” “the agreement (including matters related to the provisions of Article 17, Paragraphs 1 through 4.)” shall be read as “the agreement,” “Investment Advisory Agreement” and “six months” in Article 16, Paragraph 1 shall be read as “Discretionary Investment Agreement” and “three months,” “the advice to such client” in the same Paragraph, Item 1 shall be read as “the investment made by entrustment from such client,” “with a client as the counterpart or for such client” in Article 18 shall be read as “with a client as the counterpart,” “regardless of pretext” in Article 19 shall be read as “regardless of pretext, except where it is necessary for the settlement of the Securities Transaction performed for the client,” “lending” in Article 20 shall be read as “lending (excluding lending to a client of a Securities Firm occurring while using margin transactions prescribed in the Securities Exchange Law, Article 156-24, Paragraph 1.)”

## **Chapter V. Supervision**

(Books and Records regarding Business)

Article 34. An Investment Adviser must, as prescribed in the Cabinet Order, prepare and keep books and records related to the advice concerning investment decisions based on the Value of Securities, etc. or analysis of the Values of Securities, etc., and other businesses.

(Submission of Business Report and Making It Available for Public Inspection)

Article 35. An Investment Adviser must prepare a business report every fiscal year in the format prescribed in the Cabinet Order and submit the same to the Prime Minister within three (3) months at the end of each fiscal year.

2. The Prime Minister must, as prescribed in the Cabinet Order, make statements in the business report provided in the immediately preceding Paragraph which are deemed necessary for the protection of investors, and be available for public inspection, except for those which may harm the confidentiality of the clients or which may cause undue disadvantage to the business undertakings of such Investment Adviser.

(On-site inspection, etc.)

Article 36. The Prime Minister may, to the extent necessary for the enforcement of this Law, order an Investment Adviser or a party who transacts business with such Investment Adviser to submit reports or materials which provide information concerning its business or assets, or order its officials to enter the places of business of such Investment Adviser and inspect the status of its business or assets or books and records and other properties, or ask questions from its related parties.

2. The Prime Minister may, to the extent necessary for the enforcement of this Law, order the Principal Shareholder of an Approved Investment Adviser or the Principal Shareholder of a Holding Company which holds an Approved Investment Adviser as a Subsidiary to make reports or take measures prescribed in Articles 29-2 through 29-4, order them to submit reports or materials which provide information concerning the business or assets of such Approved Investment Adviser, or order its officials to enter the places of business of such Principal Shareholder and inspect the documents and other properties (limited to necessary inspections with respect to the reports or measures under Articles 29-2 through 29-4 or the business or assets of such Approved Investment Adviser.) or ask questions from its related parties.

3. An official conducting an on-site inspection stipulated under the preceding two Paragraphs must carry an identification document and present it to relevant parties upon their request.

4. The authority to an on-site inspection stipulated in Paragraphs 1 and 2 must not be construed to be an approval for a criminal investigation.

(Business Improvement Order)

Article 37. If the Prime Minister deems that there exists a hindrance to the interest of investors concerning the operation of business of an Investment Adviser or, in case such Investment Adviser is an Approved Investment Adviser, the party provided in the Ordinance as prescribed in Article 2, Paragraph 4, Item 2 who received the reassignment by such Investment Adviser pursuant to the agreement prescribed in the same Item (including when it is applied pursuant to the Law Concerning Investment Trust and Investment Company, Article 223-3, Paragraph 4. The same applies hereinafter in this Article.), it may, to the extent necessary to protect the investors, order such

Investment Adviser to change the method of business, deposit assets or to take other measures necessary to improve the operation of the business.

(Revocation of Registration, etc.)

Article 38. When an Investment Adviser falls under any of the following Items, the Prime Minister may revoke the registration under Article 4 or order a suspension of all or part of the Investment Advisory Business for a period certain which shall be no more than six (6) months:

(1) When it falls under any of Article 7, Paragraph 1, Items 1 through 3, Item 4 (limited to portions related to the provisions of the laws and regulations of a foreign country equivalent to this Law or the Law Concerning Investment Trust and Investment Company.), Item 5, Item 6, Item 8 (excluding the portions related to the same Paragraph, Item 7.), or Item 9 (excluding the portions related to the same Paragraph, Item 7.).

(2) When it receives the registration under Article 4 by fraudulent means.

(3) When it violates, in relation to its Investment Advisory Business, this Law or an order based on this Law, or a sanction based on these.

2. If the location of the place of business of an Investment Adviser cannot be determined, or the whereabouts of an Investment Adviser (in case of a legal entity, the whereabouts of an officer representing such legal entity.) cannot be confirmed, the Prime Minister may, as prescribed in the Cabinet Order, make a public notice regarding such fact, and may revoke the registration of such Investment Adviser if there is a failure of the Investment Adviser to report within thirty (30)\_days after such public notice.

3. The provisions of the Administrative Procedure Law (Law No. 88 of 1993), Chapter 3 shall not be applicable to the sanctions prescribed in the immediately preceding Paragraph.

(Revocation of Approval, etc.)

Article 39. When an Approved Investment Adviser or the party provided in the Ordinance as prescribed in Article 2, Paragraph 4, Item 2 who received the reassignment by such Approved Investment Adviser pursuant to the agreement prescribed in the same Item (including where it is applied pursuant to the Law Concerning Investment Trust and Investment Company, Article 223-3, Paragraph 4. The same applies hereinafter in this Article.) falls under any of the following Items, the Prime Minister may revoke the approval for such Approved Investment Adviser or suspend all or part of the business related to Discretionary Investment Agreement for a period certain which shall be no more than six (6) months:

(1) When Article 27, Paragraph 2, Item 1 or 2 becomes applicable.

(2) When it violates, in relation to its business related to Discretionary Investment Agreement, this Law or an order based on this Law (including the Law Concerning Investment Trust and Investment Company, Books 2 through 4. The same applies hereinafter in this Paragraph.) or a sanction based on these.

(3) When it violates a condition attached to the approval prescribed in Article 25, Paragraph 1.

2. When the registration of an Approved Investment Adviser becomes ineffective pursuant to the provisions of Article 9, Paragraph 2, or the registration of such Approved Investment Adviser is revoked pursuant to the provisions of Paragraph 1 or 2 of the immediately preceding Article, such approval becomes ineffective.

(Deletion of Registration, etc.)

Article 40. Where the registration becomes ineffective pursuant to the provisions of Article 9, Paragraph 2, or the registration is revoked pursuant to the provisions of Article 38, Paragraph 1 or 2, the Office of the Prime Minister must delete such registration.

2. Where the approval becomes ineffective pursuant to the provisions of Article 29, Paragraph 2 or the immediately preceding Article, Paragraph 2, or the approval is revoked pursuant to the provisions of the same Article, Paragraph 1, the Prime Minister must delete the appended note concerning the approval prescribed in Article 24, Paragraph 3.

(Publication of Supervisory Sanctions)

Article 41. Where a sanction pursuant to the provisions of Article 38, Paragraph 1 or 2, or Article 39, Paragraph 1 is imposed, the Prime Minister must, as prescribed in the Cabinet Order, make a public notice regarding such fact.

## **Chapter VI. Securities Investment Advisers Association**

(Securities Investment Advisers Association)

Article 42. Investment Advisers, for the purpose of promoting the protection of investors and the sound development of the Investment Advisory Business, may establish a legal entity as prescribed in the Civil Code (Law No. 89 of 1896), Article 34 under the name of Securities Investment Advisers Association, with Investment Advisers as its members.

2. Securities Investment Advisers Association (referred to as “Association” hereinafter in this Chapter.) must make the membership list available for public inspection.

(Limitation on Use of Name)

Article 43. A party who is not the Association may not refer to itself as the Securities Investment Advisers Association.

2. A party who does not have the membership of the Association may not refer to itself as a Securities Investment Advisers Association member, while engaging in the Investment Advisory Business.

(Solution of Complaints)

Article 44. Where clients, etc., apply for a solution of a claim concerning a business conducted by a member, the Association must provide counsel and necessary advice to the applicant, conduct an investigation related to the facts of the complaint, and notify the content of such complaint to such member and request a prompt processing of the issue.

2. Where it deems necessary for the solution of the complaint related to the application of the immediately preceding Paragraph, the Association may request from such member, a written or verbal explanation, or a submission of relevant materials.

3. Where a request pursuant to the provisions of the immediately preceding Paragraph is made by the Association, a member may not reject without justifiable reason.

4. The Association must disseminate the application of Paragraph 1, the facts related to such complaint and the outcome of the solution to its members.

(Cooperation with the Prime Minister)

Article 45. For the purpose of facilitation of enforcement of this Law, the Prime Minister may, as prescribed in the Cabinet Order, make the Association cooperate concerning the submission of the materials and reports under the provisions of this Law and other necessary matters.

(On-site Inspection, etc.)

Article 46. The Prime Minister may, to the extent necessary for the enforcement of the provisions of this Chapter, order the Association to submit reports or materials which provide information concerning its business or assets, or order its officials to enter the places of business of the Association and inspect the status of its business or assets or books and records and other properties, or to ask questions to the related parties.

2. The provisions of Article 36, Paragraphs 3 and 4, shall be applied mutatis mutandis to the on-site inspection made pursuant to the immediately preceding Paragraph.

(Supervisory Orders)

Article 47. The Prime Minister may, to the extent necessary for the enforcement of this Chapter, provide orders necessary for supervision on the Association.

(National Federation of Securities Investment Advisers Association)

Article 48. The Associations may establish a legal entity, as prescribed in the Civil Code, Article 34, by the name of National Federation of Securities Investment Advisers Association for the purpose of communication, coordination and instruction related to the operation of the Associations, organized nationally with the various Associations as its members.

2. Only one National Federation of Securities Investment Advisers Association may be established nationally.

3. A party who is not the National Federation of Securities Investment Advisers Association may not refer to itself as the National Federation of Securities Investment Advisers Association.

4. The provisions of the preceding three (3) Articles shall be applied mutatis mutandis to the National Federation of Securities Investment Advisers Association.

## **Chapter VII. Miscellaneous**

(Special Provisions, etc., for Foreign Legal Entities, etc.)

Article 49. Where an Investment Adviser is a legal entity established in accordance with the laws and regulations of a foreign country or an individual whose residence is in a foreign country engages in the Investment Advisory Business or business related to Discretionary Agreement with a domestic client as the counterparty, a special provision concerning the deadline for submission of the business reports prescribed under Article 35, Paragraph 1 for such legal entity or individual, the technical change in reading in application of the provisions of this Law, and other necessary matters concerning the application of the provisions of this Law to such legal entity or individual shall be prescribed in the Ordinance.

(Report for Establishment of Representative Office, etc., for Party Engaged in Investment Advisory Business in Foreign Country)

Article 50. A party engaged in the Investment Advisory Business in a foreign country (excluding Investment Advisers. The same applies hereinafter.) seeking to establish a domestic representatives

office or other facilities in order to collect and provide information concerning markets for Securities, etc. or to do other businesses related to Securities, etc., prescribed in the Cabinet Order (including where it seeks to conduct such business at an office or other facilities established for other purposes.) must report the content of such business, the location of the facilities where such business is conducted and other matters prescribed in the Cabinet Order to the Prime Minister in advance.

2. When it is deemed necessary for protection of the investors, the Prime Minister may order the submission of report or material related to the businesses listed in the immediately preceding Paragraph conducted at the facilities provided in the same Paragraph against a party engaged in the Investment Advisory Business in a foreign country.

3. When a party engaged in the Investment Advisory Business in a foreign country closes a facility it had established which is provided in Paragraph 1, terminates the business provided in the same Paragraph conducted at such facility or changes the matters reported pursuant to the provisions of the same Paragraph, it must report such fact to the Prime Minister within thirty (30) days from such date.

(Submission of Material, etc. to the Minister of Finance)

Article 51. When it deems it necessary for the planning of systems related to the Investment Advisory Business in relation to the system for administration of collapse of financial institutions and management of financial crisis within its jurisdiction, the Minister of Finance may request the Prime Minister for the submission and the explanation of necessary materials.

2. When it deems it especially necessary for the planning of systems related to the Investment Advisory Business in relation to the system for administration of collapse of financial institutions and management of financial crisis within its jurisdiction, the Minister of Finance may, to the extent necessary, request Investment Advisers, Securities Investment Advisers Association or National Federation of Securities Investment Advisers Association for the submission and the explanation of necessary materials and other needed cooperation.

(Delegation, etc., of Authority)

Article 51-2 The Prime Minister shall delegate the authorities under this Law (excluding those prescribed in the Ordinances.) to the Commissioner of Financial Services Agency.

2. The Commissioner of Financial Services Agency shall delegate those authorities prescribed in Article 36, Paragraph 1 (limited to the provisions prescribed in the Ordinance as provisions related to ensuring the fairness of the purchase or sale of Securities, Securities Index etc., Futures Transactions etc., Securities Options Transactions, etc., Over-the-Counter Securities Index, etc., Forward



Transactions, Over-the-Counter Securities Options Transactions or Over-the-Counter Securities Index, etc., Swap Transactions.) included in the authorities delegated pursuant to the provisions of the immediately preceding Paragraph to the Securities and Exchange Surveillance Commission (“SESC” hereinafter.) Provided, however, that the exercise of authority to order the submission of reports or materials by the Commissioner of the Financial Services Agency shall not be hampered.

3. The Commissioner of the Financial Services Agency may, as prescribed in the Ordinance, delegate those authorities prescribed in Article 36, Paragraphs 1 and 2 and Article 46, Paragraph 1 (including where it is applied mutatis mutandis by Article 48, Paragraph 4.) included in the authorities delegated pursuant to the provisions of Paragraph 1 (excluding those delegated to the SESC pursuant to the provisions of the immediately preceding Paragraph.) to the SESC.

4. When the SESC exercises the authority delegated pursuant to the provisions of the immediately preceding Paragraph, the result thereof shall be promptly reported to the Commissioner of the Financial Services Agency.

5. The Commissioner of the Financial Services Agency may, as prescribed in the Ordinance, delegate part of the authorities delegated pursuant to the provisions of Paragraph 1 (excluding those delegated to the SESC pursuant to the provisions of Paragraphs 2 and 3.) to Director-Generals of the Local Finance Bureaus or the Director-Generals of Local Finance Branch Bureaus.

6. SESC may, as prescribed in the Ordinance, delegate part of the authorities delegated pursuant to the provisions of Paragraphs 2 and 3 to the Director-Generals of the Local Finance Bureaus or the Director-Generals of Local Finance Branch Bureaus.

7. With regards to the administration related to the authorities delegated to the Director-Generals of the Local Finance Bureaus or the Director-Generals of Local Finance Branch Bureaus pursuant to the immediately preceding Paragraph, SESC shall direct and supervise the Director-Generals of the Local Finance Bureaus or the Director-Generals of Local Finance Branch Bureaus.

(Complaint against Orders by SESC)

Article 51-3 A complaint pursuant to the Administrative Tribunals Law (Law No. 160 of 1962) concerning an order of SESC to submit reports or materials pursuant to the immediately preceding Article, Paragraph 2 or 3 (including orders by the Director-Generals of the Local Finance Bureaus or the Director-Generals of Local Finance Branch Bureaus pursuant to the same Article, Paragraph 6.) may only be made against the SESC.

(Delegation to Cabinet Orders)

Article 52. In addition to the provisions of this Law, matters necessary for the enforcement of this Law shall be prescribed in the Cabinet Order.

(Provisional Measures)

Article 53. When an order is enacted, amended or abolished pursuant to the provisions of this Law, necessary provisional measures (including provisional measures related to penal rules.) may be established by such order to the extent necessary for such enactment, amendment or abolition.

### **Chapter VIII. Penal Rules**

Article 54. A party who falls under any of the following Items may be sentenced to imprisonment of no more than three (3) years and/or imposed with a fine of no more than three million yen (¥3,000,000):

(1) A party who was entrusted by others with all or part of investment decision making based on the analysis of the Value of Securities, etc., and engaged in the business of conducting investment for others based on such decision in violation of the provisions of Article 3.

(2) A party who engaged in the Investment Advisory Business without obtaining registration under Article 4.

(3) A party who obtained registration under Article 4 by fraudulent means.

(4) A party who caused others to engage in the Investment Advisory Business or business related to Discretionary Investment Agreement in violation of Article 12 (including where it is applied mutatis mutandis by Article 33.).

(5) A party who engaged in acts listed in Article 22, Paragraph 1, Items 1 through 4 or Item 6, or Article 30-3, Paragraph 1, Items 1 through 4 or Item 6, in violation of these provisions.

(6) A party who engaged in the business related to Discretionary Investment Agreement without approval, in violation of the provisions of Article 24, Paragraph 1.

Article 54-2 A party who falls under any of the following Items may be sentenced to imprisonment of no more than two (2) years and/or a fine of no more than three million yen (¥3,000,000):

(1) A party who violated conditions attached pursuant to the provisions of Article 25, Paragraph 1.

(2) A party who continues to engaged in the Investment Advisory Business or business related to Discretionary Investment Agreement in violation of an order to suspend such business pursuant to the provisions of Article 38, Paragraph 1 or Article 39, Paragraph 1.

Article 54-3 A party who falls under any of the following Items may be sentenced to imprisonment of no more than one (1) year and/or a fine of no more than three million yen (¥3,000,000):

(1) A party who submitted the registration application form prescribed in Article 5, Paragraph 1 or the documents prescribed in the same Article, Paragraph 2, with a false statement.

(2) A party who submitted the approval application form prescribed in Article 26, Paragraph 1 or documents or electronic records to be attached to the approval application form of the same Article, Paragraph 1 pursuant to the provisions of the same Article, Paragraph 2 or 3, with a false statement.

(3) A party who did not prepare or maintain the books and records pursuant to the provisions of Article 34, or who prepared falsified books and records.

(4) A party who did not submit the business report pursuant to the provisions of Article 35, Paragraph 1 or submitted the business report with a false statement.

(5) A party who did not submit the reports or materials pursuant to the provisions of Article 36, Paragraph 1 or 2 or Article 46, Paragraph 1 (including where it is applied mutatis mutandis by Article 48, Paragraph 4.) or submitted falsified reports or materials, or refused, hampered or evaded the inspections pursuant to these provisions, or did not provide a reply or provided a false reply to questions made pursuant to these provisions.

Article 55. A party who falls under any of the following Items may be sentenced to imprisonment for no more than one (1) year and/or a fine of no more than one million yen (¥1,000,000):

(1) A party who commenced the Investment Advisory Business in violation of the provisions of Article 10, Paragraph 5.

(2) A party who engaged in the Securities Transactions in violation of the provisions of Article 18 (including where it is applied mutatis mutandis by Article 33).

(3) A party who accepted deposits of money or Securities from a client, or who caused to make deposits of money or Securities of a client, in violation of the provisions of Article 19 (including where it is applied mutatis mutandis by Article 33).

(4) A party who lent money or Securities to a client, or acted as a dealer, broker or agent for lending of money or Securities to a client by a third party, in violation of the provisions of Article 20 (including where it is applied mutatis mutandis by Article 33.).

(5) A party who changed the content or method of the business related to Discretionary Investment Agreement without obtaining prior approval under Article 28.

(6) A party who violated an order made pursuant to Article 29-3 (including where it is applied mutatis mutandis by Article 29-5).

(7) A party who engaged in businesses other than the Investment Advisory Business, business related to Discretionary Investment Agreement, Investment Trust Management Business, Investment Company Asset Management Business, Securities Business or Trust Business without authorization, in violation of Article 31, Paragraph 1.

Article 56. A party who falls under any of the following Items may be sentenced to imprisonment for no more than six (6) months and/or a fine of no more than five-hundred-thousand yen (¥500,000):

(1) A party who failed to make a deposit in violation of Article 10, Paragraph 8.

(2) A party who failed to present the items prescribed in Article 13, Paragraph 1 in violation of the provisions of the same Paragraph (including where it is applied mutatis mutandis by Article 33.).

(3) A party who made a presentation substantially different from the facts or substantially misleading in violation of the provisions of Article 13, Paragraph 2 (including where it is applied mutatis mutandis by Article 33.).

(4) A party who made misleading presentations in violation of the provisions of Article 13, Paragraph 3 (including where it is applied mutatis mutandis by Article 33.).

(5) A party who failed to deliver documents, or delivered documents which did not include matters prescribed in the provisions of Article 14, Paragraph 1, Article 15, Paragraph 1, or Article 16, Paragraph 1 (including where they are applied mutatis mutandis by Article 33.) or which included a false statement, in violation of these provisions.

(6) A party who failed to submit reports or attached documents prescribed in Article 29-2 (including where it is applied mutatis mutandis by Article 29-5.) or submitted false reports or attached documents.

(7) A party who engaged in the Securities Business or Trust Business without obtaining approval in violation of the provisions of Article 31, Paragraph 2.

(8) A party who failed to deliver reports, or delivered reports without including matters prescribed in Article 32, Paragraph 1 or reports with a false statement, in violation of the same Paragraph.

Article 57. A party who falls under any of the following Items may be sentenced to a fine of no more than three-hundred-thousand yen (¥300,000):

(1) A party who failed to submit the report prescribed in Article 8, Paragraph 1 or Article 29, Paragraph 1, or filed a false report.

(2) A party who violated the provisions of Article 11, Paragraph 1.

(3) A party who posted a sign as prescribed in Article 11, Paragraph 1 or a similar sign in violation of the provisions of the same Article, Paragraph 2.

(4) A party who engaged in the Investment Trust Management Business, Investment Company Asset Management Business, Securities Business or Trust Business without reporting, in violation of the provisions of Article 23.

(5) A party who failed to file a report under Article 29-4 (including where it is applied mutatis mutandis by Article 29-5), or filed a false report.

(6) A party who engaged in the ordinary course of business of other companies or operated business, in violation of the provisions of Article 30.

(7) A party who engaged in businesses other than the Investment Advisory Business, business related to Discretionary Investment Agreement, Investment Trust Management Business, Investment Company Asset Management Business, Securities Business or Trust Business without reporting, in violation of Article 31, Paragraph 3.

(8) A party who violated the orders made pursuant to the provisions of Article 37.

(9) A party who referred to itself as a Securities Investment Advisers Association member in violation of Article 43, Paragraph 2.

Article 58. When a representative of a legal entity or an agent, employee or other workers of a legal entity or a person violates the provisions of Article 54 through the immediately preceding Article concerning the business of such legal entity or person, not only a penalty may be imposed on the actor, but also such legal entity or individual may be imposed a fine prescribed in accordance to the abovementioned Articles.

Article 59. A party who falls under any of the following Items may be subject to an administrative fine of no more than five-hundred-thousand yen (¥500,000):

(1) A party who refused to provide the list of membership prescribed in Article 42, Paragraph 2 for public inspection without any justifiable reason.

(2) A party who violated an order given pursuant to the provisions of Article 47 (including where it is applied mutatis mutandis by Article 48, Paragraph 4.).

Article 60. A party who failed to make a deposit in violation of an order given pursuant to the provisions of Article 10, Paragraph 4 may be subject to an administrative fine of no more than three-hundred-thousand yen (¥300,000).

Article 61. A party who falls under any of the following Items may be subject to an administrative fine of no more than one-hundred-thousand yen (¥100,000):

(1) A party who failed to submit a report pursuant to the provisions of Article 9, Paragraph 1 or submitted a false report.

(2) A party who referred to itself as a Securities Investment Advisers Association or the National Federation of Securities Investment Advisers Association in violation of the provisions of Article 43, Paragraph 1 or Article 48, Paragraph 3.

(3) A party who failed to submit a report pursuant to the provisions of Article 50, Paragraph 1 or 3, or submitted a false report.

(4) A party who failed to submit a report or materials provided in Article 50, Paragraph 2, or submitted a false report or materials.

## **Excerpts of Supplementary Provisions**

(Effective Date)

Article 1. This law shall become effective as of the date prescribed in the Ordinance within six (6) months from the date of the proclamation (November 25, 1986, Ordinance No.332 of 1986).

(Provisional Measures)

Article 2. A party who is engaged in the Investment Advisory Business at the time of enforcement of this Law (excluding banks engaged in the Trust Business with an approval from the Minister of Finance pursuant to the Law Concerning the Concurrent Undertaking, etc. of Trust Business by Ordinary Banks (Law No. 43 of 1943) and a management companies that obtained license of the Minister of Finance pursuant to the Securities Investment Trust Law.) may, notwithstanding the provisions of Article 4, continue to engage in the Investment Advisory Business for six (6) months (if a registration was denied pursuant to the provisions of Article 7, Paragraph 1 or the closure of the Investment Advisory Business was ordered pursuant to the provisions of Article 38, Paragraph 1 as applied pursuant to the provisions of the immediately following Paragraph, until the date of such denial or the date of such closure of business is ordered.) from the effective date of this Law. If such party submits an application form for the registration within such period, the same shall apply, even after the lapse of such period, until the registration is granted or denial of the registration is imposed.

2. In case a party continues its engagement in the Investment Advisory Business pursuant to the provisions of the immediately preceding Paragraph, such party shall be deemed an Investment Advisor, and Article 13, Paragraphs 1 and 2, Articles 14 through 23, Articles 34 through 37, and Article 38, Paragraph 1 (excluding Item 2) and Paragraph 3 (including penal rules related to these provisions) shall be applied. In such a case, “revoke the registration under Article 4” in the same Article, Paragraph 1 shall be read as “order the closure of the Investment Advisory Business.”

3. In application of Article 7, Paragraph 1, in case the closure of the Investment Advisory Business is ordered pursuant to the provisions of Article 38, Paragraph 1, by application of the provisions of the immediately preceding Paragraph, such party who is ordered to close the business shall be deemed a party whose registration under Article 4 is revoked pursuant to the provisions of Article 38, Paragraph 1, and such date of the order of closure of business shall be deemed effective on the date of revocation of the registration under Article 4 pursuant to the provisions of Article 38, Paragraph 1.

Article 3. A bank engaged in the Trust Business with an approval of the Minister of Finance pursuant to the Law Concerning the Concurrent Undertaking, etc. of Trust Business by Ordinary

Banks and management companies with license of the Minister of Finance pursuant to the Securities Investment Trust Law, which are engaged in the Investment Advisory Business at the time of enforcement of this Law, may, notwithstanding the provisions of Article 4, continue to engage in the Investment Advisory Business for the time being (if an order for closure of the Investment Advisory Business is given pursuant to the provisions of Article 38, Paragraph 1, as applied by the provisions of the immediately following Paragraph, until the date of such order.).

2. In case a party continues its engagement in the Investment Advisory Business pursuant to the provisions of the immediately preceding Paragraph, such bank engaged in the Trust Business and management company shall be deemed Investment Advisers, and the provisions of Article 11, Article 12, Article 13, Paragraph 2, Article 14 (excluding Paragraph 1, Item 3.), Article 15, Article 17, Article 21, Article 22, Articles 34 through 37, Article 38, Paragraph 1 (excluding Item 2.), and Article 42, Paragraph 1 shall be applied to such bank engaged in the Trust Business (including penal rules related to these provisions.), and Article 11, Article 12, Article 13, Paragraphs 1 and 2, Articles 14 through 22, Article 34 through 37, Article 38, Paragraph 1 (excluding Item 2.) and Article 42, Paragraph 1 shall be applied to such management company (including penal rules related to these provisions.). In such a case, “revoke the registration under Article 4” in Article 38, Paragraph 1 shall be read as “order the closure of the Investment Advisory Business.”

3. In application of Article 7, Paragraph 1, in case the closure of the Investment Advisory Business is ordered pursuant to the provisions of Article 38, Paragraph 1, by application of the provisions of the immediately preceding Paragraph, such bank engaged in the Trust Business or management company ordered to close the business shall be deemed a party whose registration under Article 4 is revoked pursuant to the provisions of Article 38, Paragraph 1, and such date of the order of closure of business shall be deemed the date of revocation of the registration under Article 4 pursuant to the provisions of Article 38, Paragraph 1.

Article 4. A party who has a facility prescribed in Article 50, Paragraph 1 as of the date of enforcement of this Law must report the content of the business, location of the facility and other matters prescribed in the Ministerial Order of the Ministry of Finance concerning such facility prescribed in the same Paragraph within three (3) months from the enforcement of this Law to the Minister of Finance. In this case, such report shall be deemed a report submitted pursuant to the same Paragraph.

**Excerpts of Supplementary Provisions (Law No.75 of May 31, 1988)**



(Effective Date)

Article 1. This Law shall become effective as of the date prescribed in the Ordinance within six (6) months from the date of the proclamation (August 23, 1988, Ordinance No.241 of 1988). (rest is omitted)

(Provisional Measures Related to Partial Amendment of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities)

Article 22. An Investment Adviser which determined the details and methods of its business and has an approval of the Minister of Finance pursuant to the provisions of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities (referred to as “Former Investment Adviser Law” hereinafter in this Article.), Article 24, Paragraph 1 prior to the amendment prescribed in the immediately preceding Article at the time of enforcement of this Law shall be deemed, at the time of enforcement of this Law, to have determined the details and methods of a business which is the same as the said details and methods of the business and received an approval of the Minister of Finance under the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities (referred to as “New Investment Adviser Law” hereinafter in this Article.), Article 24, Paragraph 1 amended pursuant to the provisions of the immediately preceding Article. In such case, the conditions under the Former Investment Adviser Law, Article 25, Paragraph 1 related to the approval under the Former Investment Adviser Law, Article 24, Paragraph 1 shall be deemed to be the conditions under the New Investment Adviser Law, Article 25, Paragraph 1 related to the approval under the New Investment Adviser Law, Article 24, Paragraph 1.

#### **Excerpts of Supplementary Provisions (Law No. 107 of June 15, 1998)**

(Effective Date)

Article 1. This Law shall become effective on December 1, 1998. Provided, however, that the provisions listed in each of the following Items shall become effective as of each date prescribed in each Item:

(1) (omitted) Supplementary Provision, (omitted) Article 147, (omitted) and Articles 188 through 190: July 1, 1998

(1)-2 through (6) (omitted)

(Provisional Measures in relation to Partial Amendment of the Securities Investment Trust Law)

Article 92. (Refer to the Supplementary Provisions for Amendment of the Law Concerning Securities Investment Trust and Securities Investment Company)

(Provisional Measures Related to Partial Amendment of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities)

Article 99. A party who is, at the time of the enforcement of this Law, engaged in the business of a management company as prescribed in the former Investment Trust Law, Article 2, Paragraph 4, with the approval under the proviso of Article 31 of Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities prior to the amendment pursuant to the provisions of Article 8 (referred to as “Former Investment Adviser Law” in the immediately following Article.) shall be, as of the enforcement date, deemed to have reported its engagement in the securities Investment Trust Management Business pursuant to the provisions of the (amended) new Investment Adviser Law, Article 23, Paragraph 1.

Article 100. The provisions of the new Investment Adviser Law, Article 32 shall be applied to the reports prescribed in the same Article prepared on or after the enforcement date, whereas the reports prescribed in the former Investment Adviser Law, Article 32 prepared prior to the enforcement date shall continue to be subject to the previous law.

(Delegation of Authority)

Article 147. The Prime Minister shall delegate the authorities under the provisions of these Supplemental Provisions (excluding those stipulated in the Ordinances.) to the Commissioner of Financial Services Agency.

2. The authorizations delegated to the Commissioner of the Financial Service Agency pursuant to the provisions of the immediately preceding Paragraph (omitted) may be delegated in part to the Director-Generals of the Local Finance Bureaus or the Director-Generals of Local Finance Branch Bureaus (omitted) as prescribed in the Ordinance.

(Effectiveness of Sanctions, etc.)

Article 188. Sanctions, procedures and other acts made pursuant to the laws (including orders pursuant to such. The same applies hereinafter.) prior to enforcement of this Law (for provisions listed in the each Item of the Supplementary Provisions, Article 1, such provisions.) for which an equivalent provision exists in the amended laws, shall be deemed to have been made under the equivalent provisions of the amended laws, unless otherwise provided in these Supplementary Provisions.

(Provisional Measures Concerning Application of Penalties)

Article 189. For acts committed prior to enforcement of this Law (for provisions listed in the each Item of the Supplementary Provisions, Article 1, such provisions.), and acts committed subsequent

to enforcement of this Law to which the previous laws shall apply or which shall be deemed to continue its effectiveness pursuant to these Supplementary Provisions, penalties shall continue to be subject to the previous laws.

(Delegations of Other Provisional Measures to Ordinances)

Article 190. Provisional measures necessary for the enforcement of this Law shall be, in addition to the provisions of Articles 2 through 146, (omitted) and the immediately preceding Article of the Supplementary Provisions, prescribed in the Ordinances.

(Reviews)

Article 191. (omitted)

2. If it is deemed necessary subsequent to a review to be performed within five (5) years after the enforcement of this Law (omitted) regarding various financial systems after the amendment by this Law, taking into consideration the status of enforcement of the provisions after the amendments by this Law and the changes in social and economic affairs surrounding the financial system, the government shall implement required measures based on the result of such review.

#### **Excerpts from Supplementary Provisions (Law No.96 of May 31, 2000)**

(Effective Date)

Article 1. This law shall become effective on December 1, 2000 (omitted). (rest is omitted)

(Delegations of Other Provisional Measures to Ordinances)

Article 51. (omitted) Provisional measures necessary concerning the enforcement of this Law (omitted) shall be prescribed in the Ordinances.

#### **Excerpts from Supplementary Provisions (Law No.97 of May 31, 2000)**

(Effective Date)

Article 1. This Law shall become effective as of the date prescribed in the Ordinance within six (6) months from the date of the proclamation (November 30, 2000, Ordinance No.478 of 2000)(omitted). (rest is omitted)

(Effectiveness of Sanctions, etc.)

Article 64. Sanctions, procedures and other acts made pursuant to the laws prior to the enforcement of (omitted) this Law (including orders pursuant to such. The same applies hereinafter in this Article.) for which an equivalent provision exists in the amended laws, shall be deemed to have been

made under the equivalent provisions of the amended laws, unless otherwise provided in these Supplementary Provisions.

(Provisional Measures Concerning Application of Penalties)

Article 65. Application of penalties against acts committed prior to the enforcement of (omitted) this Law, or acts committed after the enforcement of this Law which continue to be subject to the previous laws pursuant to the provisions of these Supplementary Provisions, shall continue to be subject to the previous laws.

(Delegations of Other Provisional Measures to Ordinances)

Article 67. Provisional measures necessary for the enforcement of this Law shall be, in addition to the provisions of these Supplementary Provisions, determined by the Ordinances.

**Excerpts of Supplementary Provisions (Law No.126 of November 27, 2000)**

(Effective Date)

Article 1. This Law shall become effective as of the date provided in the Ordinance within five (5) months from the date of the proclamation (April 1, 2001, Ordinance No.3 of 2001). (rest is omitted)

(Provisional Measures Concerning Application of Penalties)

Article 2. Application of penalties against acts committed prior to the enforcement of this Law shall continue to be subject to the previous laws.

**Excerpts of Supplementary Provisions (Law No.129 of November 28, 2001)**

(Effective Date)

1. This Law shall become effective as of April 1, 2002. (rest is omitted)

(Provisional Measures Concerning Application of Penalties)

2. Application of penalties against acts committed prior to the enforcement of this Law (omitted) shall continue to be subject to previous laws.

**Excerpts of Supplementary Provisions (Law No.65 of June 12, 2002)**

(Effective Date)

Article 1. This Law shall become effective as of January 6, 2003.

(Provisional Measures Concerning Application of Penalties)

Article 83. Application of penalties against acts (omitted) committed prior to the enforcement of this Law (omitted) shall continue to be subject to previous laws.

(Delegations of Other Provisional Measures to Ordinances)

Article 84. Provisional measures necessary for the enforcement of this Law shall be, in addition to the provisions of these Supplementary Provisions, determined by the Ordinances.

### **Excerpts of Supplementary Provisions (Law No. 54 of May 30, 2003)**

(Effective Date)

Article 1. This Law shall become effective as of April 1, 2004. Provided, however, that the provision listed in each of the following Items shall become effective as of each date prescribed in such Item:

(1) (omitted) Amendment provisions for the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities, Article 17, Paragraph 1 in Article 4 (omitted): The date of proclamation of this Law

(2), (3) (omitted)

(Provisional Measures Related to Partial Amendment of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities)

Article 6. A party who is, at the date of enforcement of this Law, a Principal Shareholder (Principal Shareholder as prescribed in Article 27, Paragraph 3 of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities, as amended pursuant to the provisions of Article 4 (referred to as “New Investment Adviser Law” hereinafter.) of an Approved Investment Adviser (Approved Investment Adviser as prescribed in Article 3 of the New Investment Adviser Law. The same applies hereinafter in this Article.) or a Principal Shareholder of a holding company (holding company as prescribed in Act Concerning Prohibition of Private Monopolization and Maintenance of Fair Trade, Article 9, Paragraph 5, Item 1.)(collectively, referred to as “Principal Shareholder of Approved Investment Adviser, etc.” hereinafter in this Article.) which holds an Approved Investment Adviser as a Subsidiary (Subsidiary as prescribed in the New Investment Adviser Law, Article 27, Paragraph 4.) shall be deemed to have become a Principal Shareholder of such Approved Investment Adviser, etc., as of the enforcement date.

Article 7. A party who is, at the time of enforcement of this Law, engaged in the Securities Business (Securities Business as prescribed in the New Investment Adviser Law, Article 23.) with an

approval under the provisions of Article 31, Paragraph 2 of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities prior to amendment by Article 4 (referred to as “Former Investment Adviser Law” hereinafter.) (excluding Securities Brokers (Securities Broker as prescribed in the New Investment Adviser Law, Article 22, Paragraph 2, Item 2.) or Permitted Foreign Securities Firms (Permitted Foreign Securities Firm as prescribed in the New Investment Adviser Law, Article 22, Paragraph 2, Item 2.) .) with an approval under the proviso of Article 31, Paragraph 1 of the Former Investment Adviser Law, shall be deemed to have, as of the effective date, reported its engagement in such approved business pursuant to the provisions of the New Investment Adviser Law, Article 31, Paragraph 3.

(Provisional Measures Concerning Application of Penalties)

Article 38. Application of penalties against acts committed prior to the enforcement of this Law shall continue to be subject to previous laws.

(Delegations of Other Provisional Measures to Ordinances)

Article 39. Provisional measures necessary for the enforcement of this Law shall be, in addition to the provisions of this Law, determined by the Ordinances.

(Reviews)

Article 40. If the government deems it necessary subsequent to a review to be performed five (5) years after the enforcement of this Law regarding various financial systems after the amendments by this Law, taking into consideration the status of the enforcement of the provisions amended by this Law and changes in social and economic affairs, etc., it shall implement required measures based on the result of such review.

#### **Excerpts of Supplementary Provisions (Law No.76 of June 2, 2004)**

(Effective Date)

Article 1. This Law shall become effective as of the date of enforcement (January 1, 2005) of the Bankruptcy Law (Law No.75 of 2004 (omitted)). (rest is omitted)

(Provisional Measures Concerning Application of Penalties, etc.)

Article 12. Application of penalties against acts committed prior to the enforcement date (omitted) shall continue to be subject to the previous laws. (rest is omitted)

2. through 4. (omitted)

5. Application of the provisions of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities (omitted) prior to amendment by this Law (omitted) concerning the obligation for filing, notification or reporting related to adjudication of bankruptcy, determination of the commencement of rehabilitation proceedings, determination of the commencement of corporate reorganization proceedings or decision of approval of foreign bankruptcy administration procedure and penal rules related to these provisions shall continue to be subject to the previous laws.

(Delegation of Authorities to Ordinances)

Article 14. Provisional measures necessary for the enforcement of this Law shall be, in addition to the provisions of Article 2 through the immediately preceding Article of the Supplementary Provisions, prescribed in the Ordinances.

#### **Excerpts of Supplementary Provisions (Law No.88 of June 9, 2004)**

(Effective Date)

Article 1. This Law shall become effective as of the date provided in the Ordinance (omitted) within five (5) years from the date of the proclamation. (rest is omitted)

(Delegations of Other Provisional Measures to Ordinances)

Article 136 . (omitted) Provisional measures necessary for the enforcement of this Law shall be, in addition to the provisions of these Supplementary Provisions, determined by the Ordinances.

#### **Excerpts of Supplementary Provisions (Law No.97 of June 9, 2004)**

(Effective Date)

Article 1. This Law shall become effective as of April 1, 2005 (omitted). Provided, however, that the provisions of each of the following Items shall become effective as of each date prescribed in such Item:

(1) (omitted) Amendment provisions for the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities (referred to as “Investment Adviser Law” hereinafter in this Article.), Article 29-3 in Article 6 (omitted): The date of proclamation of this Law

(2) (omitted) Amendment provisions of Investment Adviser Law, Article 29-2, Paragraph 1 in Article 6 (omitted): One (1) month after the date of proclamation of this law (July 9, 2004)

(3) (omitted) Amendment provisions of Investment Adviser Law, Article 2, Paragraph 5 in Article 6 (omitted): December 1, 2004

(4) (omitted) Title of Investment Adviser Law, Article 51-2, amendment provisions for the same Article, Paragraph 2, amendment provision to add Paragraph 5 to the same Article, and the amendment provision to add an article after the same Article (omitted): July 1, 2005

(5) (omitted)

(Provisional Measures Concerning Application of Penalties)

Article 22. Application of penalties against acts committed prior to enforcement of this Law (for provisions of each Item of Supplementary Provisions Article 1, such provision. The same applies hereinafter in this Paragraph.) (omitted) shall continue to be subject to previous laws.

(Delegations of Other Provisional Measures to Ordinances)

Article 23. Provisional measures necessary for the enforcement of this Law shall be, in addition to the provisions of these Supplementary Provisions, determined by the Ordinances.

(Reviews)

Article 24. If the government deems it necessary subsequent to a review to be performed five (5) years after the enforcement of this Law regarding various financial systems after the amendments by this Law, taking into consideration the status of enforcement of the provisions amended by this Law and changes in social and economic affairs, etc., it shall implement required measures based on the result of such review.

#### **Excerpts of Supplementary Provisions (Law No.124 of June 18, 2004)**

(Effective Date)

Article 1. This Law shall become effective as of the date of enforcement (March 7, 2005) of the new Real Property Registration Law (Law No.123 of 2004). (rest is omitted)

#### **Excerpts of Supplementary Provisions (Law No.147 of December 1, 2004)**

(Effective Date)

Article 1. This Law shall become effective as of the date prescribed in the Ordinance within six (6) months from the date of the proclamation.

#### **Excerpts of Supplementary Provisions (Law No.154 of December 3, 2004)**

(Effective Date)

Article 1. This law shall become effective as of the date prescribed in the Ordinance within six (6)



months from the date of the proclamation (December 30, 2004, Ordinance No.426 of 2004)  
(omitted). (rest is omitted).

(Effectiveness of Sanctions, etc.)

Article 121. Penalties, procedures and other acts made pursuant to the laws prior to enforcement of this Law (including orders pursuant to such. The same applies hereinafter in this Article.) for which an equivalent provision exists in the amended laws, shall be deemed to have been imposed under the equivalent provisions of the amended laws, unless otherwise provided in these Supplementary Provisions.

(Delegations of Other Provisional Measures to Ordinances)

Article 123. Provisional measures necessary for the enforcement of this Law shall be, in addition to the provisions of these Supplementary Provisions, determined by the Ordinances.

#### **Attached Provisions and Related Laws and Regulations**

Enforcement Ordinance of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities (Ordinance No.333 of October 28, 1986)

Enforcement Rules of the Law Concerning Regulation, etc. of Investment Advisory Business Relating to Securities (Ministerial Ordinance of the Ministry of Finance No.54 of October 31, 1986)

Investment Advisers' Business Guarantee Fund Rule (Ministerial Ordinance of the Judicial Ministry and the Ministry of Finance No.1 of October 31, 1986)

Cabinet Order Prescribing the Format of Personal Identifications, etc., to be Carried by Officials of Financial Services Agency, etc., at Inspections (Ministerial Ordinance of Ministry of Finance No.69, July 20, 1992)