

# **Business Operation Standards on Investment Advisory Business**

December 21, 2011

Resolution of the Board of Directors

Partially amended June 15, 2012

Partially amended on February 27, 2013

Partially amended on March 26, 2014

Partially amended on March 24, 2021

The standards detailed below (hereinafter referred to as the “Standards”) apply when a member categorized as an investment advisor and agency (hereinafter referred to as the “Member”) manages business pertaining to investment advisory business (which refers to the act specified in Article 2, paragraph (8), item (xi) of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”) that is conducted in the course of financial instruments business) (hereinafter referred to as “Investment Advisory Business”).

Note, however, that the Standards for Business Operation Standards on Securities Investments Related to Real Property (Resolution of the Board of Directors, November 26, 2008), established separately, apply when the Member manages Investment Advisory Business related to securities for which underlying assets are real property, and that the Business Operation Standards on Wrap Business (Resolution of the Board of Directors, March 23, 2011), established separately, apply when the Member manages wrap business.

Furthermore, the Standards to Be Taken into Account in Performance of Business Operations (Resolution of the Board of Directors, February 27, 1991), established separately, apply when a member categorized as an investment manager manages Investment Advisory Business (excluding wrap business and Investment Advisory Business related to securities for which underlying assets are real property).

## **1. Basics of Business Operations**

Members must base their business on performing services for customers with due loyalty.

Members are required to give advice that is suitable for each customer by sufficiently understanding the nature and attributes of the customer’s funds, among other things. Members are also required to prevent acts in conflict of interest, such as damaging a particular customer’s interests in the interest of another customer and giving priority to its own interests, and to ensure the fairness and appropriateness of the Investment Advisory Business it offers so that its relationships of trust with customers are not impaired.

In light of the provisions of Articles 29 and 29-2 of the FIEA specifying that a person must be registered according to the business category in order to engage in financial instruments business, member shall not commit any acts that deviate from investment advisory business in relation to the financial instruments business it engages in without being registered for any other business.

## 2. Advice on Transactions at a fair price

When a member provides advice regarding an investment decision on securities, etc. (which refer to securities or rights pertaining to derivative transactions; the same applies hereinafter) to a customer, the advice must be based on a fair price (a market price in the securities market or a fair price that is based on the market price, or a price that is judged to be appropriate with all situations considered). The same applies when a member conducts a transaction in securities, etc. on its own account.

The same also applies when a member provides advice in relation to a customer's decision to invest in a financial instrument other than securities, etc., or when it conducts a transaction in a financial instrument other than securities, etc. on its own account.

[See Detailed Regulation 1]

## 3. Prohibition of Compensation for a Loss and Provision of Special Benefits

Members shall specify that they do not compensate for any loss or provide special benefits, directly or indirectly, by including wording with the same purport as that of Article 6, paragraph (2) provided for in the investment advisory contract (sample for investment advisory) (approved by the Board of Directors on May 30, 1990). Members shall do the same for contracts that they have already concluded, at the time of renewing or novating them.

[See Detailed Regulation 2]

## 4. Transactions in Securities, etc.

### (1) Transactions in securities, etc. that a member conducts on its own account

When a member conducts a transaction in securities, etc. on its own account, it must pay due consideration so as not to impair customers' interests or confidence.

A member shall conduct the transaction only for the purpose of investment. It shall also pay attention that the transaction does not damage the soundness of its financial

conditions (excluding the case in which the Member is registered for performing any of the acts set forth in Article 2, paragraph (8), item (i) of the FIEA).

[See Detailed Regulation 3]

- (2) Transactions in shares, etc. and investment securities, etc. that an officer or employee conducts on his/her own account

With regard to transactions in shares, etc. (which refer to shares and corporate bond certificates with share options, as well as corporate bonds, etc. with the rights and possibility of conversion to shares such as bonds exchangeable with stocks of other companies; the same applies hereinafter) and in investment securities, etc. (which refer to investment securities and investment equity subscription rights certificates; the same applies hereinafter. Note, however, that in 4., they refer only to those that are invested mainly in assets such as real property) that their officer or employee conducts on his/her own account, members shall establish internal rules that meet the minimum requirements listed below. Members shall also strive to ensure that all their officers and employees know the purport of these rules by holding internal training or taking other relevant actions so that such transactions do not impair customers' interests and confidence.

- (a) The internal rules apply to the member's officers (excluding part-time officers), employees, and relatives who share the same livelihood with them (excluding lineal ascendants).
- (b) With regard to a transaction conducted by any of the persons set forth in (a), the rules require that he/she notify the date of the transaction, the names of the securities company and of the transaction account, the issues and volumes, and whether the shares/securities are purchased or sold, and other necessary information.
- (c) The rules attach conditions to holding and trading shares, etc. and investment securities, etc., such as that a transaction is conducted only for the purpose of investment.
- (d) A person responsible for the management shall be appointed

[See Detailed Regulations 3, 4, 5, 6, 7]

- (3) Transactions in securities, etc. with a customer to which the Member, its officer, employee, Related Juridical Person, etc., or major shareholder acts as the other party on its/his/her own account

- (a) A member must not conduct any transaction in securities, etc. on its own account

when a customer is the other party.

- (b) A member must not conduct any of the acts prescribed in Article 2, paragraph (8), items (ii) to (iv) of the FIEA, including intermediation, brokerage, or agency for the purchase and sale of securities for a customer or when the customer is the other party.
- (c) A member must not give advice on any transaction with a customer of an investment advisory contract to which its officer, employee, Related Juridical Person, etc. (which refers to the “Parent Corporation, etc.” specified in Article 31-4, paragraph (3) of the FIEA; the “Subsidiary Corporation, etc.” specified in Article 31-4, paragraph (4) of the same Act; and the “Related Foreign Juridical Person, etc.” specified in Article 126, item (iii) of the Cabinet Office Order on Financial Instruments Business, etc. (hereinafter referred to as the “FIB Cabinet Office Ordinance”; the same applies hereinafter), or major shareholder (which refers to the “Major Shareholder” specified in Article 29-4, paragraph (2) of the FIEA) is the other party on his/her/its own account.

Note, however, (a) to (c) above exclude cases in which the member, or the Related Juridical Person, etc. or major shareholder as the customer’s other party carry out these acts as Type-I Financial Instruments Business, along with other cases specified in article 16-8 of the Order for Enforcement of the Financial Instruments and Exchange Act.

5. Advice on Incorporating Securities Issued, etc. by the Member into Contract Assets

(1) to (3) set forth below apply only when a member provides advice based on the amount of each customer’s assets.

(1) Advice on incorporating securities issued by a member into contract assets

A member shall not provide advice on incorporating securities issued by itself (meaning advice whose content is about incorporating the securities; the same applies hereinafter). Note, however, that this does not apply when the member satisfies both (a) and (b) detailed below. In case of giving advice on incorporation, due consideration shall be paid ensure that the advice does not impair the customer’s interests or confidence.

(a) The disclosure of either A. or B. below shall be conducted.

- A. When a member concludes an investment advisory contract with a customer (including the case of making changes to the contract; the same applies hereinafter), the member shall disclose the items, established separately, to the customer and include the details of the agreement in the contract and its

detailed regulations, and other relevant documents (hereinafter referred to as “Comprehensive Prior Disclosure”). The items that should be disclosed to each customer in this case are specified in Appended Table (1) (a) (excluding b.).

B. Items specified in Appended Table (1) (b).

[See Detailed Regulation 8]

- (b) Advice on incorporating securities within the scope that the amount pertaining to advice on incorporating the securities in each customer’s assets under management does not exceed 10 percent of the assets if those securities are shares, etc., or 30 percent of the assets if those securities are other than shares, etc. (When advice is on incorporating newly issued securities, the total amount of these newly issued securities pertaining to the advice must not exceed 10 percent of the total newly issued amount if those securities are shares, etc., or 30 percent if those securities are other than shares, etc.)

[See Detailed Regulation 9]

- (2) Advice on incorporating an investment trust established by a member engaged in investment trust management business into contract assets

A member engaged in investment trust management business may provide advice on incorporating beneficiary certificates of an investment trust it establishes (hereinafter referred to as an “Investment Trust Established by the Member”) into contract assets only if the member satisfies both (a) and (b) detailed below:

- (a) The disclosure of either A. or B. below shall be conducted.

- A. Comprehensive Prior Disclosure regarding the items specified in Appended Table (2) (a)
- B. Items specified in Appended Table (2) (b).

[See Detailed Regulation 8]

- (b) Advice on incorporating an Investment Trust Established by the Member carried out within the scope detailed in A. and B. below.

- A. The amount pertaining to advice on incorporating an Investment Trusts Established by the Member (or, the sum of this and any Investment Trust Established by a Related Juridical Person, etc. if advice is also given on any Investment Trust Established by a Related Juridical Person, etc. that falls under 6 (2)) does not exceed half of each contract asset of a customer.

Note, however, that this does not apply to cases stated in a. to c. below:

- a. When the customer is a professional investor (which refers to an investor

specified in Article 2, paragraph (31) of the FIEA and Article 23 or the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act (hereinafter referred to as “Cabinet Office Ordinance Regarding Definitions”; the same applies hereinafter).

- b. When each customer provides written consent in advance regarding advice on incorporating specified investment trusts.
- c. The amount temporarily exceeds the one-half limit, or there are special circumstances and written consent of the relevant customer is given.
- B. The amount specified in a. below does not exceed 30 percent of the amount specified in b. below.
  - a. Total amount of each issue pertaining to advice on incorporating an Investment Trusts Established by the Member into all contract assets pertaining to the Member’s investment advisory contracts (excluding amounts pertaining to advice on incorporation that falls under A. a. or b. above)
  - b. The amount of total net assets of the Investment Trust Established by the Member

[See Detailed Regulations 8, 9, 10, 11, 12, 13, 14]

(3) Advice on incorporating securities that are underwritten by a member engaged in securities business into contract assets

A member engaged in securities business may provide advice on incorporating securities that it underwrites (which refers to the Underwriting of Securities, etc. specified in Article 130, paragraph (1), item (ix) of the FIB Cabinet Office Ordinance; the same applies hereinafter) into contract assets only if it satisfies both (a) and (b) detailed below.

Note, however, that the provision of (b) below does not apply when each customer provides written consent in advance regarding advice on incorporating specified securities. In case of giving advice on incorporation, due consideration shall be paid ensure that the advice does not impair the customer’s interests or confidence.

In the Standards, “securities business” refers to the business specified in Article 28, paragraphs (1) and (2) of the FIEA, or the business in which a registered financial institution specified in Article 33-2, item (ii) of the FIEA performs any of the acts registered according to the FIEA. Members that are engaged in trust business (meaning the business that is specified in Article 1, paragraph (1) of the Act on Engagement in

Trust Business by Financial Institutions and is operated by a financial institution with the authorization referred to in the same paragraph) and conduct securities-related business as registered financial institutions are included in “members engaged in securities business” unless otherwise specified.

[See Detailed Regulations 8, 11, 15]

(a) The disclosure of either A. or B. below shall be conducted.

A. Comprehensive Prior Disclosure regarding the items specified in Appended Table (4) (a) (excluding b.)

B. Items specified in Appended Table (4) (b).

[See Detailed Regulation 8]

(b) Advice on incorporating securities within the scope that the ratio of the total amount pertaining to advice on incorporating the securities into all contract assets pertaining to the member’s investment advisory contract to the amount of securities underwritten does not exceed 10 percent of the assets if those securities are shares, etc., or 30 percent of the assets if those securities are other than shares, etc. (Attention shall be paid not to exceed these limits when giving advice on incorporating securities for which the amount to be underwritten is not determined in advance.)

[See Detailed Regulation 9]

6. Advice on Incorporating Securities Issued, etc. by a Related Juridical Person, etc. into Contract Assets

(1) to (3) set forth below apply only when a member provides advice based on the amount of each customer’s assets.

(1) Advice on incorporating securities issued by a Related Juridical Person, etc. into contract assets

A member shall not provide advice on incorporating securities issued by a Related Juridical Person, etc.

Note, however, that this does not apply when the member satisfies both (a) and (b) detailed below. In case of giving advice on incorporation, due consideration shall be paid ensure that the advice does not impair the customer’s interests or confidence.

(a) The disclosure of either A. or B. below shall be conducted.

A. Comprehensive Prior Disclosure regarding the items specified in Appended Table (1) (a)

B. Items specified in Appended Table (1) (b).

[See Detailed Regulation 8]

- (b) Advice on incorporating securities within the scope that the amount pertaining to advice on incorporating the securities in each customer's assets under management does not exceed 10 percent of the assets if those securities are shares, etc., or 30 percent of the assets if those securities are other than shares, etc. (When advice is on incorporating newly issued securities, the total amount of these newly issued securities pertaining to the advice must not exceed 10 percent of the total newly issued amount if those securities are shares, etc., or 30 percent if those securities are other than shares, etc.)

[See Detailed Regulation 9]

- (2) Advice on Incorporating an investment trust established by a Related Juridical Person, etc. engaged in investment trust management business into contract assets

When a member's Related Juridical Person, etc. is engaged in investment trust management business, the member shall comply with the provisions prescribed below if it provides advice on incorporating beneficiary certificates of an investment trust that is established by the Related Juridical Person, etc. (hereinafter referred to as an "Investment Trust Established by a Related Juridical Person, etc.") into contract assets. In case of giving advice on incorporation, due consideration shall be paid ensure that the advice does not impair the customer's interests or confidence.

These provisions of (2) apply mutatis mutandis when a member provides advice on incorporating into contract assets beneficiary certificates of an investment trust established by a non-Related Juridical Person, etc. on which the member provides advice, beneficiary certificates of an investment trusts established by a non-Related Juridical Person, etc. on which the member's Related Juridical Person, etc. provides advice or for which the Related Juridical Person, etc. is entrusted with the authority over investment, and beneficiary certificates of an investment trust which the member's Related Juridical Person, etc. establishes in a foreign country.

A member may provide advice on incorporating an Investment Trust Established by a Related Juridical Person, etc. only when it satisfies both (a) and (b) detailed below.

[See Detailed Regulation 16]

- (a) The disclosure of either A. or B. below shall be conducted.

A. Comprehensive Prior Disclosure regarding the items specified in Appended Table (3) (a)

B. Items specified in Appended Table (3) (b).



[See Detailed Regulation 8]

- (b) Advice on incorporating an Investment Trusts Established by a Related Juridical Person, etc. (including the investment trusts established by a non-Related Juridical Person, etc. that fall under the explanatory note in (2) above) within the scope that the amount pertaining to advice on incorporating the Investment Trusts Established by a Related Juridical Person, etc. (or, the sum of this amount and any Investment Trust Established by the Related Juridical Person, etc. if advice is also given on any Investment Trust Established by the Member) does not exceed half of each contract asset of a customer.

(Note, however, that this does not apply when such advice falls under any of 5 (2)

(a) A. a. to c. above.)

[See Detailed Regulations 8, 9, 11, 12, 13]

- (3) Advice on incorporating securities that are underwritten by a Related Juridical Person, etc. engaged in securities business into contract assets

A member may provide advice on incorporating securities underwritten by a Related Juridical Person, etc. engaged in securities business into contract assets only if it satisfies both (a) and (b) detailed below.

Note, however, that the provision of (b) below does not apply when each customer provides written consent in advance regarding advice on incorporating specified securities. In case of giving advice on incorporation, due consideration shall be paid ensure that the advice does not impair the customer's interests or confidence.

[See Detailed Regulations 8, 11, 17]

- (a) The disclosure of either A. or B. below shall be conducted.

- A. Comprehensive Prior Disclosure regarding the items specified in Appended Table (4) (a)

- B. Items specified in Appended Table (4) (b).

[See Detailed Regulation 8]

- (b) Advice on incorporating securities within the scope that the ratio of the total amount pertaining to advice on incorporating the securities of the Related Juridical Person, etc. into all contract assets pertaining to the member's investment advisory contract to the amount of securities underwritten by the Related Juridical Person, etc. does not exceed 10 percent of the assets if those securities are shares, etc., or 30 percent of the assets if those securities are other than shares, etc. (Attention shall be paid not to exceed these limits when giving advice on incorporating securities for which the amount to be underwritten is not determined in advance.)

[See Detailed Regulation 9]

7. Conclusion of a Contract Based on Each Customer's Independent Judgment

- (a) A member shall not commit any acts that conflict with Article 41-5 of the FIEA or acquire customers with a loan from its loan department or Related Juridical Person, etc. as support.
- (b) Hence, a member shall strive to identify the nature of each customer's funds for investment when it concludes an investment advisory contract. If the member is convinced that the relevant funds are a loan from its loan department or Related Juridical Person, etc., it shall obtain a written confirmation from the customer that the contract is concluded based on the customer's voluntary intention to invest. The member shall record and retain the process pertaining to identifying the nature of the funds or to obtaining confirmation from the customer.

[See Detailed Regulations 18, 19, 20, 21, 22, 23]

- (c) In relation to an investment advisory contract, (a) and (b) shall not apply to customers who are professional investors in accordance with Article 45, item (iii) of the FIEA. In this case, attention must be paid to the purport of Article 41, paragraph (2) of the FIEA.

8. Establishment of an Appropriate System for Business Operations

Each member must establish an internal system for ensuring appropriate business operations, such as by making the status of compliance with these Standards in conducting business subject to management by the compliance officer referred to in 1. (2) of the Self-Regulation Standards on Systems for Business Execution (Resolution of the Board of Directors on June 16, 2000.)

Supplementary Provisions (December 21, 2011)

The Standards come into effect as of December 21, 2011.

Supplementary Provisions (June 15, 2012)

This amendment comes into effect as of June 15, 2012.

Note:

Amended provisions are as follows:

Detailed Regulations 1, 18, and 20 are amended.

#### Supplementary Provisions (February 27, 2013)

This amendment comes into effect as of April 1, 2013. Note that, of the provisions pertaining to a Related Juridical Person, etc., the provisions of Old 7 pertaining to a Related Foreign Juridical Person, etc. before the amendments may be applied until June 30, 2013.

Note:

Amended provisions are as follows:

4 (3), 4 (3) (c), 5 (2) (b), 6, 6 (1), 6 (2), 6 (2) (b), 6 (3), 6 (3) (b), Old 8 (a), Old 8 (b), and Old 8 (c) are amended.

7 is deleted; 8 and 9 each are moved up one clause.

Appended Table (1), (1) (a), (1) (b), (3), (3) (a), (3) (b), (4), (4) (a), and (4) (b) are amended.

Detailed Regulations 10, Old 18, Old 19, Old 20, Old 23, Old 24, Old 25, and Old 27 are amended.

Detailed Regulations 11, 12, and 13 are deleted.

Detailed Regulations 14 to 28 each are moved up three Detailed Regulations.

#### Supplementary Provisions (March 26, 2014)

This amendment comes into effect as of April 1, 2014. Note that the amendments pertaining to certificates of investment Equity subscription rights come into effect on the date specified by the Cabinet Order provided for in Article 1, item (iii) of the Supplementary Provision of Act No. 45 of 2013 (December 1, 2014).

Note:

Amended provisions are as follows:

4 (2) is amended.

Detailed Regulations 3, 4, 5, 6, 15, 16, and 17 are amended.

#### Supplementary Provisions (March 24, 2021)

This amendment comes into effect as of March 24, 2021.

Note:

Amended provisions are as follows:

Detailed Regulations 19 and 21 are amended.

## Appended Table: Disclosure Items

- (1) Disclosure items when providing advice on incorporating securities issued by a member or a Related Juridical Person, etc. into contract assets (5 (1) and 6 (1))  
[See Detailed Regulation 24]
  - (a) In case of Comprehensive Prior Disclosure at the time of contract
    - a. To the effect that advice may be given on incorporating securities issued by a member or a Related Juridical Person, etc. when such advice is judged to contribute to the customer's interests
    - b. In the case of incorporating the securities of a Related Juridical Person, etc., the name of that Person
    - c. Maximum amount or percentage pertaining to the advice
  - (b) In case of prior disclosure each time advice is provided
    - A. In case of advice provided on incorporating securities issued by a member or a Related Juridical Person, etc.
      - a. To the effect that the advice is on incorporating securities issued by the Member or a Related Juridical Person, etc.
      - b. Amount of securities pertaining to the advice (also disclose the name of the securities in case of securities issued by a Related Juridical Person, etc.)
      - c. Reason why the incorporation has been judged to contribute to the customer's interests
    - B. In case of advice provided on sale
      - d. To the effect that the advice is on selling securities (meaning advice whose content is about selling the securities) issued by a member or a Related Juridical Person, etc.
      - e. Amount of securities pertaining to the advice (also disclose the name of the securities in case of securities issued by a Related Juridical Person, etc.)
      - f. Reason why the sale has been judged to contribute to the customer's interests
- (2) Disclosure items when providing advice on incorporating an Investment Trust Established by the Member into contract assets (5 (2))  
[See Detailed Regulations 24 and 25]
  - (a) In case of Comprehensive Prior Disclosure at the time of contract
    - a. To the effect that advice may be given on incorporating an Investment Trust Established by the Member when such advice is judged to contribute to the customer's interests, and the investment target of the Investment Trust
    - b. Maximum amount or percentage pertaining to the advice on incorporating an Investment Trust Established by the Member
  - (b) In case of prior disclosure each time advice is provided
    - A. In case of advice provided on incorporating an Investment Trust Established by the Member
      - a. To the effect that the advice is on incorporating an Investment Trust Established by the Member

- b. Name and amount of the Investment Trust pertaining to the advice
- c. Amount to be paid by the customer as part of the cost entailed in the incorporating an Investment Trust Established by the Member
- d. Reason why the incorporation has been judged to contribute to the customer's interests
- B. In case of providing advice on cancellation, demand for purchase, or sale
  - e. To the effect that the advice is on cancellation, demand for purchase, or sale of the Investment Trust Established by the Member (meaning advice whose content is about cancellation, demand for purchase, or sale; the same applies hereinafter)
  - f. Name and amount of the Investment Trust
  - g. Amount to be paid by the customer as part of the cost entailed in the cancellation, demand for purchase, or sale
  - h. Reason why the cancellation, demand for purchase, or sale has been judged to contribute to the customer's interests
- (3) Disclosure items when providing advice on incorporating an Investment Trust Established by a Related Juridical Person, etc. into contract assets (6 (2))
 

[See Detailed Regulations 24 and 25]

  - (a) In case of Comprehensive Prior Disclosure at the time of contract
    - a. To the effect that advice may be given on incorporating an Investment Trust Established by a Related Juridical Person, etc. (including an investment trust established by a non-Related Juridical Person, etc., on which the member provides advice, an investment trust established by a non-Related Juridical Person, etc., on which the member's Related Juridical Person, etc. provides advice or for which Related Juridical Person, etc. is entrusted with the authority over investment, and an investment trust which the member's Related Juridical Person, etc. establishes in a foreign country; the same applies hereinafter) when such advice is judged to contribute to the customer's interests, and the investment target of the Investment Trust
    - b. Name of the subject Related Juridical Person, etc. (the name of the settlor company of the investment trust in the cases referred to in the brackets of (i) above)
    - c. Maximum amount or percentage pertaining to the advice
  - (b) In case of prior disclosure each time advice is provided
    - A. In case of advice provided on incorporating an Investment Trust Established by a Related Juridical Person, etc.
      - a. The fact that the advice is on incorporating an Investment Trust Established by a Related Juridical Person, etc.
      - b. Name and amount of the Investment Trust pertaining to the advice
      - c. Amount to be paid by the customer as part of the cost entailed in the incorporating an Investment Trust Established by a Related Juridical Person, etc.
      - d. Reason why the incorporation has been judged to contribute to the customer's interests
    - B. In case of providing advice on cancellation, demand for purchase, or sale
      - e. The fact that the advice is on cancellation, demand for purchase, or sale of the

- Investment Trust Established by a Related Juridical Person, etc., the contract date pertaining to the advice, and the name of the Related Juridical Person, etc.
- f. Name and amount of the Investment Trust
  - g. Amount to be paid by the customer as part of the cost entailed in the cancellation, demand for purchase, or sale
  - h. Reason why the cancellation, demand for purchase, or sale has been judged to contribute to the customer's interests
- (4) Disclosure items when providing advice on incorporating securities that are underwritten by a member or a Related Juridical Person, etc. engaged in securities business into contract assets (5 (3) and 6 (3))
- [See Detailed Regulations 24 and 25]
- (a) In case of Comprehensive Prior Disclosure at the time of contract
    - a. To the effect that advice may be given on incorporating securities underwritten by a member or a Related Juridical Person, etc. when such advice is judged to contribute to the customer's interests, and the investment target of these securities
    - b. In the case of securities underwritten by a Related Juridical Person, etc., the name of that Person
    - c. Maximum amount or percentage pertaining to the advice
  - (b) In case of prior disclosure each time advice is provided
    - a. To the effect that the advice is on incorporating securities underwritten by a member or a Related Juridical Person, etc.
    - b. The name and amount of the securities
    - c. Reason why the incorporation has been judged to contribute to the customer's interests

#### Detailed Regulations

Detailed Regulation 1 [2]	<p>Attention shall be paid that, in relation to “a market price in the securities market or a fair price that is based on the market price, or a price that is judged to be appropriate with all situations considered,” Articles 12 through 16 of the Rules Concerning Publication of Over-The-Counter Trading Reference Prices, Etc. and Trading Prices of Bonds (self-regulatory rules of Japan Securities Dealers Association) provide for rules on over-the-counter trading in bonds and other transactions, and Articles 11 through 13 of the Rules Concerning Foreign Securities Transactions (self-regulatory rules of Japan Securities Dealers Association) provide for rules on foreign securities transactions.</p> <p>Also, attention shall be paid to local laws and regulations with respect to foreign securities markets.</p>
Detailed Regulation 2 [3]	If no investment advisory contract is prepared, the wording shall be included in the document for delivery prior to the conclusion of a contract.
Detailed Regulation 3 [4 (1) and 4 (2) (c)]	<p>“Transactions for the purpose of investment” mean, for example, transactions in securities, etc. with a plan to hold them for at least six months under ordinary market conditions.</p> <p>Article 117, paragraph (1), item (xii) of the FIB Cabinet Office Ordinance prohibits “an act of an individual-type Financial Instruments Business Operator, etc., or of any Officer (in the case where the Officer is a juridical person, including executive members thereof) or employee of a Financial Instruments Business Operator, etc. to conduct the Purchase and Sale or Other Transactions of Securities, etc., by taking advantage of the business position and by the use of information on ordering trends in the customers’ Purchase and Sale or Other Transactions of Securities, etc. and any other special information which may come to such person's knowledge in the course of duties, or solely in pursuit of their speculative profit.”</p>
Detailed Regulation 4 [main clause of 4 (2) and (c)]	“Transactions in shares, etc. and investment securities, etc.” include transactions pertaining to cumulative investments in shares, cumulative investments in investment securities, and stock mini investments.
Detailed Regulation 5 [4 (2) (b)]	In the case of notification under (b), if the notification is of a transaction in shares pertaining to cumulative investments in shares or of a transaction in investment securities pertaining to cumulative investment in investment securities, the matters set forth below must be notified at the timing respectively specified below.



	<p>*At the time of joining [including at the time of contract change]</p> <ul style="list-style-type: none"> <li>- Date of contract conclusion</li> <li>- Name of the securities company</li> <li>- Name of the transaction account</li> <li>- Issue</li> <li>- Amount to be paid in (amount for each month specified in advance for the issue)</li> </ul> <p>Note that, in case of contract change (change, suspension, or resumption of the amount to be paid in), the date of request and details of the change pertaining to the contract shall be notified.</p> <p>*At the time of sale</p> <ul style="list-style-type: none"> <li>- The date of sale</li> <li>- Name of the securities company</li> <li>- Name of the transaction account</li> <li>- Issue</li> <li>- Volume</li> </ul>
Detailed Regulation 6 [the main clause of 4 (2), (b), (c)]	“Transactions” includes acquisition through offerings or secondary offerings of shares, etc. and investment securities, etc.
Detailed Regulation 7 [4 (2) (d)]	Notification to the Association of the person responsible for the management is not required.
Detailed Regulation 8 [5 (1) (a) A., 5 (2) (a) A., 5 (2) (b) A. c., the proviso to 5 (3), 5 (3) (a) A., 6 (1) (a) A., 6 (2) (a) A., the proviso to 6 (2) (b), the proviso to 6 (3), 6 (3) (a) A.]	Documents pertaining to Comprehensive Prior Disclosure and customers’ written agreements concerning advice on incorporating specified securities shall be sorted by customer and retained, or be retained together separately for five years from the date of termination of each contract.
Detailed Regulation 9 [5 (1) (b), the main clause of 5 (2) (b) A., B. a., 5 (3) (b), 6 (1) (b), 6 (2) (b), 6 (3) (b)]	“The amount pertaining to advice” (including “the total amount”) includes the amount pertaining to advice on incorporating securities into contract assets pertaining to a member’s investment advisory contract as well as the amount of the securities that a customer has incorporated based on advice given before the advice.

<p>Detailed Regulation 10 [5 (2) (b) A. and 6 (2) (b)]</p>	<p>The scope of advice on incorporation into each customer's contract assets shall be calculated as follows:</p> $\left\{ \begin{array}{l} \text{Total market value of the Investment Trust Established by the Member or a Related Juridical Person, etc. that has already been incorporated on the day before advice on the incorporation is given} \end{array} \right\} + \left\{ \begin{array}{l} \text{Volume of the Investment Trust Established by the Member or a Related Juridical Person, etc. pertaining to advice on the incorporation} \end{array} \right\} \times \left\{ \begin{array}{l} \text{Expected acquisition unit price of the Investment Trust Established by the Member or a Related Juridical Person pertaining to advice on the incorporation} \end{array} \right\}$ <hr/> <p>Total market value of the contract assets on the day before the provision of advice on the incorporation</p> <p>Note that, if the amount of the contract assets (principal) increases or decreases on the day advice on the incorporation is given, the increase shall be added to, or the decrease shall be subtracted from, the total market value of the contract assets. In cases in which the "total market value of the contract assets on the day before the incorporation" is not clear, a member may choose to use the amount calculated by adding/subtracting the increase/decrease in the contract assets (principal) over the period between the end of the previous month and the day before the incorporation to/from the total market value of the contract assets at the end of the previous month only if the member continues to apply this.</p>
<p>Detailed Regulation 11 [5 (2) (b) A. b., the proviso to 5 (3), the proviso to 6 (2) (b), the proviso to 6 (3)]</p>	<p>The term "specified" means that individual issues are specified.</p>
<p>Detailed Regulation 12 [5 (2) (b) A. c., the proviso to 6 (2) (b)]</p>	<p>The term "temporarily" refers to cases in which, for example, the cash ratio temporarily (i.e., not ordinarily) remains high during the process of building or reclassifying a portfolio according to advice.</p>
<p>Detailed Regulation 13 [5 (2) (b) A. c., the proviso to 6 (2) (b)]</p>	<p>The term "special circumstances" refers to reasonable circumstances, such as a case in which the cash ratio remains high not temporarily as a result of an investment method itself (e.g., diversified investments in a staggered manner) that is followed according to advice, or a case in which investment restrictions are imposed on customers by laws and regulations.</p>

Detailed Regulation 14 [5 (2) (b) B.]	The proportion of “The amount specified in a.” in “the amount specified in b.” shall be calculated in accordance with Detailed Regulation 10.
Detailed Regulation 15 [the main clause of 5 (3)]	<p>In light of preventing circumvention and distribution of underwritten securities, note that 5 (3) also applies to cases in which a member gives advice on incorporating securities that have been underwritten by its securities department and acquired by a Related Juridical Person, etc. into contract assets.</p> <p>In relation to what is called commitment-type rights offerings, when a member advises that shares be acquired by exercising share options in contract assets, or investment securities be acquired by exercising investment equity subscription rights in the said assets, the advice is deemed as “advice on incorporating securities that are underwritten into contract assets” so that this provision applies.</p>
Detailed Regulation 16 [the explanatory note in 6 (2)]	When a member provides advice on incorporating an investment corporation’s investment securities that the member or a Related Juridical Person, etc. manages, the advice shall conform to the explanatory note in 6 (2).
Detailed Regulation 17 [the main clause of 6 (3)]	<p>In light of preventing circumvention and distribution of underwritten securities, attention shall be paid that 6 (3) also applies to cases in which a member gives advice on incorporating the underwritten securities acquired by any Related Juridical Person, etc. other than the Related Juridical Person, etc. into contract assets.</p> <p>In relation to what is called commitment-type rights offerings, when a member advises that shares be acquired by exercising share options in contract assets, or investment securities be acquired by exercising investment equity subscription rights in the said assets, the advice is deemed as “advice on incorporating securities that are underwritten into contract assets” so that this provision applies.</p>
Detailed Regulation 18 [7 (b)]	This does not apply to any contracts that have no affinity with “identifying the nature of funds for investment,” including investment advisory contracts with no agreed amount of contract assets, and investment advisory contracts pertaining to investing pension funds, among others.
Detailed Regulation 19 [7 (b)]	The record of the process pertaining to identifying the nature of the funds (i.e., whether the funds are a loan and, if they are, who the lender is) must be retained with the officer or employee who has negotiated directly with the customer recording the process in the written request for managerial decision,

	customer file, or the like. (The retention period shall be five years from the date of contract. If the record is managed as electronic data, or if the officer or employee who has negotiated directly with the customer is unavailable for recording the process, the name of the officer or employee who has negotiated directly with the customer as well as other items that are sufficient to identify the officer or employee may be recorded in the written request for managerial decision, customer file, or any other relevant documents in lieu of the record provided by the officer or employee who has negotiated directly with the customer. The same applies hereinafter.)
Detailed Regulation 20 [7 (b)]	When recording the process under the preceding Detailed Regulation in a case in which a member is convinced that the funds are not a loan from its loan department or Related Juridical Person, etc. or it is not convinced that the funds are a loan from its loan department or Related Juridical Person, etc., the record must also include the name and title of the person with whom the member has negotiated as well as specific details of the negotiation.
Detailed Regulation 21 [7 (b)]	In principle, “confirmation from the customer” in the case of being convinced that the funds are a loan from its loan department or Related Juridical Person, etc. must be made in writing (e.g., included in detailed regulations of a contract). If this is difficult, it is unavoidable for the officer or employee who has negotiated directly with the customer to record the name and title of the person with whom the confirmation is made, the details of the confirmation made, the reason why the confirmation could not be made in writing, and other relevant matters, in the written request for managerial decision, customer file, or the like to them for retention.
Detailed Regulation 22 [7 (b)]	If the member is convinced that the funds are a loan, the member is not prevented from immediately obtaining confirmation that the loan is based on the customer’s voluntary intention to invest, without ascertaining whether the loan is from its loan department or Related Juridical Person, etc. In this case, the preceding Detailed Regulation applies in the same manner to “confirmation from customer.”
Detailed Regulation 23 [7 (b)]	The nature of funds shall be identified or each customer’s intention shall be confirmed when a new investment advisory contract is concluded (including when the principal in a contract is increased).
Detailed Regulation 24 [related to “At the time of contract” in A.	“At the time of contract” includes the time when a contract is concluded as well as the time when changes are made to the documents stated in 5 (1) (a) A. (including changes to the documents that are made in line with changes in

under (1) to (4) each in Appended Table]	the Member's organization and/or services, and/or in personnel at a Related Juridical Person's, etc.)
Detailed Regulation 25 [related to the "investment target" in (a) a. under (2), (3), and (4) each in Appended Table]	The term "investment target" refers to a basic policy to follow when a member gives advice on incorporating securities, etc. according to the type of securities, etc. specified in each Appended Table (e.g., the type of securities, etc. pertaining to advice, and the type of securities, etc., to which advice must not be given).