

Regulations on Fund Audits

February 27, 2013
Resolution of the Board
of Directors

1. Purpose

The purpose of these Regulations is to set forth requirements concerning external audit of the funds to be incorporated into the Customer Assets when the customer (excluding the professional investors) entrusts its assets to a trust company, etc. in the course of management of the customer's assets pertaining to the business operations to be performed based upon a discretionary investment contract.

2. Definition of Terms

For the purpose of these Regulations, the terms listed below are defined as set forth in the relevant items.

(a) Fund

The "subject securities" set forth in Article 130, paragraph (3) of Cabinet Office Order on Financial Instruments Business, etc. (hereinafter referred to as "FIB Cabinet Office Order").

(b) Fund audit

External audit pertaining to a fund.

(c) Trust company, etc.

A "trust company, etc." set forth in Article 130, paragraph (1), item (xv) of FIB Cabinet Office Order.

3. Financial statements subject to a fund audit

The financial statements subject to a fund audit are balance sheet, profit and loss statement (including the statement of income and a statement of retained earnings and other documents similar in nature with a profit and loss statement) and other documents related to the financial accounting regarding which audit should be conducted.

4. Entity to implement a fund audit

(1) The entity to implement a fund audit is a certified public accountant or audit corporation that has no substantial interest set forth in Article 24 or Article 34-11 of Certified Public Accountants Act in the relevant fund or the issuer of the relevant fund, etc. and has professional skills and appropriate operational experiences pertaining to the fund audit as an auditor.

(2) If the relevant fund is a foreign fund, the provision of (1) above referring to a certified public accountant or audit corporation that has no substantial interest set forth in Article 24 or Article 34-11 of Certified Public Accountants Act may be applied by reading it to refer to a person similar in nature to them in a

foreign country.

5. Criteria and procedures for fund audit

- (1) The fund audit must be carried out in conformity with the audit standards that are generally accepted as fair and appropriate.
- (2) If the relevant fund is a foreign fund, the fund audit must be carried out in conformity with the audit standards that are generally accepted as fair and appropriate in Japan under (1) above or such other standards as are considered to be equivalent to them, such as, for example, the generally accepted auditing standards in the United States or international audit standards.

6. Amendments to regulations

When the Association intends to amend these Regulations, it shall notify the Commissioner of the Financial Services Agency of the details of the intended amendment in advance.

Supplementary Provision

These Regulations come into effect as of July 1, 2013.