

# Act on Specified Joint Real Estate Ventures

(Act No. 77 of June 29, 1994)

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## Chapter I General Provisions

### (Purpose)

Article 1 The purpose of this Act is to ensure that business is conducted properly and to seek to protect the profits and interests of Business Partners as well as to contribute to the sound development of Specified Joint Real Estate Ventures, by enforcing a permission system for those who conduct Specified Joint Real Estate Ventures, clarifying the responsibilities associated with conducting business, and mandating measures necessary for preventing the losses that Business Partners could sustain.

### (Definitions)

Article 2 (1) The term "Real Estate" as used in this Act means the building lots set forth in Article 2, item (i) of the Building Lots and Buildings Transaction Business Act (Act No. 176 of 1952) or buildings.

(2) The term "Real Estate Transaction" as used in this Act means the buying or selling, exchange of, or leasing of Real Estate.

(3) The term "Specified Joint Real Estate Venture Contract" as used in this Act means the following contracts (including option contracts, excluding those that are specified by Cabinet Order as contracts (including option contracts) in which the protection of those who receive the distribution of proceeds or profits is ensured by taking into consideration the conditions under which the contracts are established (including option contracts) as well as the relationship between the parties:

(i) a contract stipulating that contributions are made by each party, that a

- joint venture is established with the contributions, that the execution of business will be entrusted to one or more parties in order to conduct Real Estate Transactions, and that the proceeds generated from the said Real Estate Transactions will be distributed;
- (ii) a contract stipulating that one party contributes to the Real Estate Transactions conducted by the other party, that the other party conducts Real Estate Transactions involving the contributed assets, and that the profits generated from said Real Estate Transactions will be distributed;
  - (iii) a contract stipulating that one party leases co-owned property or entrust its lease while the other party conducts Real Estate Transactions involving said Real Estate and distributes the proceeds generated from said Real Estate Transactions;
  - (iv) a contract based on the laws and regulations of a foreign country and which is comparable to the contract set forth in the preceding three items;
  - (v) beyond the contracts set forth in each of the preceding items, any contracts stipulating that the proceeds or profits generated from Real Estate Transactions will be distributed (including contracts based on the laws and regulations of a foreign country) and which are specified by Cabinet Order as contracts required to ensure fairness in the business of said Real Estate Transactions as well as the protection of those to whom proceeds or profits generated from said Real Estate Transactions are distributed.
- (4) The term "Specified Joint Real Estate Venture" as used in this Act means the following acts carried out in the course of business:
- (i) an act of entering into a Specified Joint Real Estate Venture Contract and distributing the proceeds or profits generated from Real Estate Transactions conducted based on said contract (applicable only to an act conducted by a person that is entrusted with the carrying out business or another comparable person if a Specified Joint Real Estate Venture Contract set forth in item (i) of the preceding paragraph, a Specified Joint Real Estate Venture Contract set forth in item (iv) of the same paragraph those which is comparable to a Special Joint Real Estate Venture Contract set forth in item (i) of the same paragraph or a contract that is prescribed by Cabinet Order as similar to the type of these Specified Joint Real Estate Venture Contract, is utilized.);
  - (ii) an act of operating as agent or broker in the entering into of a Specified Joint Real Estate Venture Contract (excluding the act set forth in item (iv));
  - (iii) an act of conducting business entrusted by a Special Enterprise in relation to Real Estate Transactions that are carried out based on the Specified Joint Real Estate Venture Contract to which the said Special Enterprise is a party;
  - (iv) an act of operating as an agent or broker in the entering into of a Specified Joint Real Estate Venture Contract to which a Special Enterprise is a party.

- (5) The term "Specified Joint Real Estate Enterprise" as used in this Act means a person that conducts Specified Joint Real Estate Ventures by permission as provided for in paragraph (1) of the next Article.
- (6) The term "Special Venture" as used in this Act means an act as set forth in item (i) of paragraph (4) performed in the course of business that meets any of the following requirements:
- (i) the act is conducted by a corporation with the aim of exclusively engaging in said act (excluding Specified Joint Real Estate Enterprises and foreign corporations that do not have offices in Japan);
  - (ii) the act constitutes business in relation to Real Estate Transactions that are based on a Specified Joint Real Estate Venture Contract entrusted to a Specified Joint Real Estate Enterprise (applicable only to a person conducting business constituting the act set forth in item (iii) of paragraph (4) (hereinafter referred to as "business referred to in item (iii)");
  - (iii) the act constitutes the business of solicitation for the entering into of a Specified Joint Real Estate Venture Contract entrusted to a Specified Joint Real Estate Enterprise (applicable only to a person conducting business constituting the act set forth in item (iv) of paragraph (4) (hereinafter referred to as the "business referred to in item (iv)");
  - (iv) the act will include having a bank, trust company, or other person that is specified by ordinance of the competent ministries as one who has professional knowledge and experience in relation to investment in Real Estate or a stock company with at least the amount of capital specified by ordinance of competent ministries (collectively referred to as "Special Investor" in Article 46-2) as the counterparty or Business Partner;
  - (v) the act meets any other requirements specified by ordinance of the competent ministries as necessary to protect the profits and interests of the Business Partners.
- (7) The term "Special Enterprise" as used in this Act means the person that has submitted notification pursuant to the provisions of Article 40-2, paragraph (2).
- (8) The term "Business Partner" as used in this Act means a party to a Specified Joint Real Estate Venture Contract other than those who conduct a Specified Joint Real Estate Venture based on said Specified Joint Real Estate Venture Contract.

## **Chapter II Permission**

(Permission for Specified Joint Real Estate Ventures)

Article 3 (1) A person intending to conduct a Specified Joint Real Estate Venture must obtain the permission of the competent ministers (in the case of a person intending to conduct a Specified Joint Real Estate Venture by establishing

offices (meaning a head offices, branches, or other types of offices specified by Cabinet Order; the same applies hereinafter) within the boundaries of a prefecture, the permission of the prefectural governor who has jurisdiction over the location of said offices (excluding persons intending to conduct the business referred to in item (iii) or item (iv))).

- (2) A person intending to obtain the permission of the competent ministers as provided for in the preceding paragraph, must pay the registration and license taxes pursuant to the provisions of the Act on Registration and License Tax (Act No. 35 of 1967).

(Conditions for Permission)

Article 4 (1) The competent ministers or prefectural governors may specify conditions for the permission specified in paragraph (1) of the preceding Article and may change these conditions.

- (2) The conditions referred to in the preceding paragraph are limited to the minimum necessary to ensure the proper conducting of the Specified Joint Real Estate Venture and must not impose undue obligations upon the person that obtains said permission.

(Applications for Permission)

Article 5 (1) A person intending to obtain the permission referred to in Article 3, paragraph (1) must submit an application for permission stating the following particulars to the competent ministers or a prefectural governor (excluding the particulars set forth in item (vi) in the case of persons other than those intending to conduct the business referred to in item (iv)):

- (i) the trade name or business name and address;
- (ii) the names of officers and the names of employees when there are employees who are specified by Cabinet Order;
- (iii) the names and locations of the offices and the name of persons assigned to each office pursuant to the provisions of Article 17, paragraph (1);
- (iv) the amount of capital or contributions;
- (v) particulars related to the license provided for in Article 3, paragraph (1) of the Building Lots and Buildings Transaction Business Act;
- (vi) particulars related to the registration provided for in Article 29 of the Financial Instruments and Exchange Act (Act No. 25 of 1948) (applicable only to registration in relation to Type II Financial Instruments Business provided for in Article 28, paragraph (2) of the same Act; the same applies to item (viii) of the next Article and Article 46, paragraph (1));
- (vii) the types of business (meaning the types specified in each item of Article 2, paragraph (4); the same applies hereinafter);
- (viii) when other business is conducted, the type of said business;

- (ix) other particulars specified by ordinance of the competent ministries.
- (2) The following documents must be attached to the application for permission referred to in the preceding paragraph (excluding the document specified in item (iv), provided that a person does not intend to conduct the business constituting the act set forth in Article 2, paragraph (4), item (i) (hereinafter referred to as the "business referred to in item (i)" or the business referred to in item (iii))):
  - (i) the articles of incorporation or a document in lieu thereof;
  - (ii) the certificate of registered matters or a document in lieu thereof;
  - (iii) a document providing evidence that the offices meet the requirements provided for in Article 17, paragraph (1);
  - (iv) the general conditions of the Specified Joint Real Estate Venture Contract;
  - (v) a document stating any other particulars specified by ordinance of the competent ministries.

(Grounds for Disqualification)

Article 6 A person that falls under any of the following items cannot obtain the permission provided for in Article 3, paragraph (1):

- (i) a person that is not a corporation (including a foreign corporation that does not have an office in Japan);
- (ii) a corporation that has not obtained the license provided for in Article 3, paragraph (1) of the Building Lots and Buildings Transaction Business Act;
- (iii) a corporation whose permission under Article 3, paragraph (1) was rescinded pursuant to the provisions of Article 36, when period of five years has not yet elapsed from the date of rescission; or a corporation whose permission of a similar nature obtained in a foreign country was rescinded pursuant to the laws and regulations of said foreign country that are comparable to this Act (including registration and administrative disposition similar to that associated with the said permission. The same applies in item (vi) (h)), when a period of five years has not yet elapsed from the date of rescission;
- (iv) a corporation that submitted a notification pursuant to the provisions of Article 11, paragraph (1) that said corporation falls under Article 11, paragraph (1), item (iv), within a period from the day on which the notice was issued pursuant to the provisions of Article 15 of the Administrative Procedure Act (Act No. 88 of 1993) that pertains to a disposition to rescind the permission under Article 3, paragraph (1) on the grounds that said corporation falls under any one of the items of Article 36, to the day on which said disposition took effect or the day on which the decision not to implement the disposition was announced, and a period of five years has not yet elapsed from the date of said notification;

- (v) a corporation that became subject to the imposition of a fine (including a comparable punishment provided for in laws and regulations of a foreign country) pursuant to the provisions of this Act, Building Lots and Buildings Transaction Business Act or the Act Regulating the Receipt of Contributions, the Receipt of Deposits, and Interest Rates (Act No. 195 of 1954), or any comparable provisions of laws and regulations of a foreign country, and a period of five years has not yet elapsed from the day on which the execution of punishment was completed or the execution of punishment was suspended;
- (vi) a corporation that has officers (meaning executive members, directors or executive officers, or other comparable persons including consultants, advisors, and those who are found to possess a level of authority that is equal to or greater than that of executive members, directors, or executive officers, or other comparable persons who act in an executive capacity with regard to business for the corporation regardless of their job titles; the same applies hereunder in this item as well as in item (iii) of the next Article and Article 35, paragraph (1), item (vi)) or employees specified by Cabinet Order who fall under any of the following sub-items:
  - (a) an adult ward or person under curatorship or a person treated in the same manner under the laws and regulations of a foreign country;
  - (b) a bankrupt person who has not been discharged from bankruptcy or a person treated in the same manner under the laws and regulations of a foreign country;
  - (c) a person that was sentenced to imprisonment without work or more severe punishment (including any comparable punishment under the laws and regulations of a foreign country) and a period of five years has not yet elapsed from the day on which the execution of punishment was completed or the execution of punishment was suspended;
  - (d) a person that became subject to the imposition of a fine (or any comparable punishment under the laws and regulations of a foreign country) for committing an act in violation of the laws set forth in the preceding item or the provisions of the Act on Prevention of Unjust Acts by Organized Crime Group Members (Act No. 77 of 1991) (excluding the provisions of Article 32-3, paragraph (7) and Article 32-11, paragraph (1) of the same Act) or comparable provisions of the laws and regulations of a foreign country, or for otherwise committing a crime punishable under Article 204, Article 206, Article 208, Article 208-2, Article 222, or Article 247 of the Penal Code (Act No. 45 of 1907) or the Act on Punishment of Physical Violence and Others (Act No. 60 of 1926) and a period of five years has not yet elapsed from the day on which the execution of punishment was completed or the execution of punishment was suspended;
  - (e) a person that is a member of an organized crime group as provided for in

- Article 2, item (vi) of the Act on Prevention of Unjust Acts by Organized Crime Group Members or for whom a period of five years has not yet elapsed from the day on which they ceased to be a member of an organized crime group as provided for in same item (referred to as a "current or former member of an organized crime group" in the next item);
- (f) if the permission of a Specified Joint Real Estate Enterprise specified in Article 3, paragraph (1) was rescinded pursuant to the provisions of Article 36, a person that was an officer of said Specified Joint Real Estate Enterprise within a period of 60 days prior to the day on which the notice concerning the disposition of rescission was issued pursuant to the provisions of Article 15 of the Administrative Procedure Act and a period of five years has not yet elapsed from the date of said rescission;
  - (g) if a Specified Joint Real Estate Enterprise has submitted a notification pursuant to the provisions of Article 11, paragraph (1) that falls under Article 11, paragraph (1), item (iv), within a period from the day on which the notice was issued pursuant to the provisions of Article 15 of the Administrative Procedure Act that pertains to the disposition to rescind the permission under Article 3, paragraph (1) on the grounds that said Specified Joint Real Estate Enterprise falls under any item of Article 36 to the day on which said disposition took effect or the day on which the decision not to implement the disposition was announced, a person who was an officer of said Specified Joint Real Estate Enterprise within a period of 60 days prior to the day on which said notification was issued, and a period of five years has not yet elapsed from the date of said notification;
  - (h) a person granted with permission that was obtained in a foreign country pursuant to the provisions of the laws and regulations of said foreign country that are comparable to this Act, where the permission was rescinded and a period of five years has not yet elapsed from the date of said rescission (including a person that was an officer of the relevant corporation within a period of 60 days prior to the day on which the permission was rescinded and a period of five years has not yet elapsed from the date of said rescission);
  - (vii) a corporation with business activities controlled by a current or former member of an organized crime group;
  - (viii) a corporation that has not been registered under Article 29 of the Financial Instruments and Exchange Act, if said corporation intends to conduct the business referred to in item (iv).

(Standards for Permission)

Article 7 The competent ministers or prefectural governors must not grant

permission under Article 3, paragraph (1) unless it is found that the person that has applied for permission pursuant to the provisions of Article 5 meets the following standards (excluding the provisions of item (v) provided that a person intends to conduct the business referred to in item (i) or in item (iii)):

- (i) the amount of capital or contributions is equal to or greater than the amount specified by Cabinet Order for each type of business as is necessary and appropriate for the protection of the Business Partners;
- (ii) the amount obtained by deducting the total amount of liabilities from the total amount of assets is equal to or greater than 90 percent of the amount of capital or contributions;
- (iii) the applicant, its officer, or an employee specified by Cabinet Order has not engaged in a wrongful or seriously unjust act in relation to the Specified Joint Real Estate Venture, within a period of five years prior to the said application for permission;
- (iv) the offices meet the requirements specified in Article 17, paragraph (1);
- (v) the content of the general conditions of the Specified Joint Real Estate Venture Contract complies with the standards specified by Cabinet Order;
- (vi) the applicant has an adequate foundation of assets and a personnel structure sufficient to properly conduct the Specified Joint Real Estate Venture.

(Permission for Changes)

Article 8 (1) When a Specified Joint Real Estate Enterprise that falls under any of the following items after said Specified Joint Real Estate Enterprise has obtained permission under Article 3, paragraph (1) intends to continuously conduct a Specified Joint Real Estate Venture (excluding cases where the Specified Joint Real Estate Enterprise intends to change the type of business), the provisions of Article 5 notwithstanding, the Specified Joint Real Estate Enterprise must submit the application for permission stating the particulars set forth in paragraph (1), item (iii) and item (ix) of the same Article, with the prefectural governor who has jurisdiction over the location where the Specified Joint Real Estate Enterprise owns or will set up the offices as specified in each item as specified by ordinance of the competent ministries when the Specified Joint Real Estate Enterprise falls under item (i) or item (ii) and must submit the application for permission stating the particulars set forth in Article 5, paragraph (1), item (iii) and item (ix) with the competent ministers as specified by ordinance of the competent ministries when the venture falls under item (iii):

- (i) when a person that has obtained permission from the competent ministers is going to own offices in only one prefecture (applicable only to a person other than those conducting the business referred to item (iii) or item (iv));



- (ii) when a person that has obtained permission from a prefectural governor is going to disestablish offices in the said prefecture and is going to establish offices in another prefecture;
  - (iii) when a person that has obtained permission from a prefectural governor is going to own offices in two or more prefectures.
- (2) When an application is submitted pursuant to the provisions of the preceding paragraph, the competent ministers or prefectural governor must grant permission under Article 3, paragraph (1) when it is found that the applicant meets the standards set forth in item (iii), item (iv), and item (vi) of the preceding Article, the provisions of the same Article notwithstanding.

(Validity of Previous Permission in Cases of Change of Permission)

Article 8-2 If a person, who obtained permission under Article 3, paragraph (1) from the competent ministers or a prefectural governor, intends to change the type of business or the location of offices while continuing to conduct a Specified Joint Real Estate Venture, and has newly obtained permission under Article 3, paragraph (1) from the competent ministers or another prefectural governor pursuant to the provisions of the same paragraph or paragraph (2) of the preceding Article, the previous permission of the competent ministers or prefectural governor in relation to said person ceases to be effective.

(Approval for Changes)

- Article 9 (1) When a Specified Joint Real Estate Enterprise intends to change the type of business (excluding cases where a person, who obtained permission under Article 3, paragraph (1) from the competent ministers or a prefectural governor, is required to obtain permission under the same paragraph newly from the competent ministers or a prefectural governor pursuant to the provisions of the same paragraph) or otherwise add or change the general conditions of the Specified Joint Real Estate Venture Contract set forth in Article 5, paragraph (2), item (iv) (excluding the addition or change of the particulars stated in the general conditions of the Specified Joint Real Estate Venture Contract that are the minor addition or change specified by ordinance of the competent ministries; the same applies in Article 46, paragraph (4) and Article 53, item (2)), the Specified Joint Real Estate Enterprise must obtain approval from the competent ministers or another prefectural governor by whom permission under Article 3, paragraph (1) was granted as specified by ordinance of the competent ministries.
- (2) The provisions of the preceding paragraph apply similarly when a Specified Joint Real Estate Enterprise intends to establish additional offices (excluding the cases set forth in each item of Article 8, paragraph (1)).

(Notification of Changes)

Article 10 When there has been a change in the particulars set forth in each item of Article 5, paragraph (1) (excluding item (v) through item (vii) (in the case of the change of the location of an office specified in item (iii) of the same paragraph, the change that falls under each item of Article 8, paragraph (1) and paragraph (2) of the preceding Article is excluded)), the Specified Joint Real Estate Enterprise must submit a notification to that effect to the competent ministers or prefectural governor from whom permission under Article 3, paragraph (1) was granted, within a period of 30 days as specified by ordinance of the competent ministries.

(Notification of Discontinuance of Business)

Article 11 (1) When any of the following cases applies to a Specified Joint Real Estate Enterprise, the person specified in each of said item must submit a notification to that effect to the competent ministers or prefectural governor from whom permission under Article 3, paragraph (1) was granted, within a period of 30 days as specified by ordinance of the competent ministries:

- (i) in the case of the extinction of the corporation by merger, the person that was the officer representing the extinct corporation;
- (ii) in the case of dissolution due to an order to commence bankruptcy procedures, the bankruptcy trustee;
- (iii) in the case of dissolution due to reasons other than a merger and a order to commence bankruptcy procedures, the liquidator;
- (iv) in the case of discontinuance of a Specified Joint Real Estate Venture (including cases where a foreign corporation has ceased to own any offices in Japan), the officer who represents the corporation that was a Specified Joint Real Estate Enterprise.

(2) When a Specified Joint Real Estate Enterprise falls under any item of the preceding paragraph, the permission under Article 3, paragraph (1) granted to said Specified Joint Real Estate Enterprise ceases to be effective.

(Lists of Specified Joint Real Estate Enterprises)

Article 12 The competent ministers and prefectural governors must prepare the following lists of Specified Joint Real Estate Enterprises: in the case of the competent ministers, the list stating the particulars set forth in Article 5, paragraph (1), item (i) through item (viii) concerning Specified Joint Real Estate Enterprises that have obtained permission under Article 3, paragraph (1) from the competent ministers; in the case of the prefectural governors, the list stating the particulars concerning the Specified Joint Real Estate Enterprises that have obtained permission under Article 3, paragraph (1) from the prefectural governor as well as the Specified Joint Real Estate Enterprises

that have obtained permission under the same paragraph from the competent ministers and that own main offices in said governor's prefecture.

(Inspections of Lists of Specified Joint Real Estate Enterprises)

Article 13 The competent ministers or prefectural governors must make the documents set forth in Article 5, paragraph (2), item (i) through item (iv), the list of Specified Joint Real Estate Enterprises and other documents pursuant to the provisions of ordinance of competent ministries available for public inspection, as specified by ordinance of the competent ministries.

### **Chapter III Business**

(Principles of Conducting Business)

Article 14 (1) Specified Joint Real Estate Enterprises must conduct business sincerely and in good faith.

(2) Specified Joint Real Estate Enterprises must endeavor to ensure reasonable and appropriate use of Real Estate and make sure that speculative transactions are controlled when conducting business.

(Prohibition on Lending of Names)

Article 15 Specified Joint Real Estate Enterprises must not allow other persons to conduct a Specified Joint Real Estate Venture under its own name.

(Displaying of Signs)

Article 16 (1) Specified Joint Real Estate Enterprises must display signs in the form specified by ordinance of the competent ministries at each office and in places that can be easily seen by the public.

(2) Those other than Specified Joint Real Estate Enterprises must not display the signs mentioned in the preceding paragraph or similar signs.

(Business Managers)

Article 17 (1) Specified Joint Real Estate Enterprises must assign to each office a person that is the employee registered pursuant to the provisions of Article 18 of the Building Lots and Buildings Transaction Business Act as well as in satisfaction of other requirements specified by ordinance of the competent ministries to provide advice, guidance as well as supervision and management necessary for conducting the following activities at the office in addition to the particulars provided for in Article 24, paragraph (2); Article 25, paragraph (2); and Article 28, paragraph (3):

(i) solicitation for the entering into of Specified Joint Real Estate Venture Contracts;

- (ii) explanation regarding the content of Specified Joint Real Estate Venture Contracts;
  - (iii) operations provided for in Article 28, paragraph (1).
- (2) Specified Joint Real Estate Enterprises must keep a list stating the name of the person assigned to each office pursuant to the provisions of the preceding paragraph (hereinafter referred to as the "Business Manager") and other particulars specified by ordinance of the competent ministry and provide the list for inspection at the request of Business Partners (including persons intending to enter into a Specified Joint Real Estate Venture Contract) (hereinafter referred to as the "List of Business Managers").
- (3) Specified Joint Real Estate Enterprises must not open an office in conflict with the provisions of paragraph (1) and must take all necessary measures within two weeks to conform to the provisions of the same paragraph when an existing office has come to conflict with the provisions of the same paragraph.

(Regulation of Advertisements)

- Article 18 (1) Specified Joint Real Estate Enterprises must not place advertisements concerning the Specified Joint Real Estate Venture with regard to building lots or buildings subject to the work after-mentioned before the completion of the work related to the development of said building lots or the construction of said buildings, except the cases where the permission required with regard to said work under Article 29, paragraph (1) or paragraph (2) of the City Planning Act (Act No. 100 of 1968), confirmation pursuant to the provisions of Article 6, paragraph (1) of the Building Standards Act (Act No. 201 of 1950), and other dispositions specified by Cabinet Order such as permission based on laws and regulations have been issued.
- (2) When Specified Joint Real Estate Enterprises place an advertisement concerning a Specified Joint Real Estate Venture, there must be a clear indication as to whether the Specified Joint Real Estate Enterprise is a party to the Specified Joint Real Estate Venture Contract, its agent, or broker for the contract, as well as the type of the Specified Joint Real Estate Venture Contract as set forth in each item of Article 2, paragraph (3).
- (3) When placing an advertisement concerning business, Specified Joint Real Estate Enterprises must not indicate anything that is significantly different from the facts or extremely misleading with respect to expected profits from Real Estate Transactions and any other particulars specified by ordinance of the competent ministries.

(Restrictions on Time Frames for Conducting Business)

- Article 19 Specified Joint Real Estate Enterprises must not conduct a Specified Joint Real Estate Venture with regard to building lots or buildings subeject to

the work after-mentioned before the completion of work related to the development of said building lots or the construction of said buildings, except the cases where permission required with regard to the said work under Article 29, paragraph (1) or paragraph (2) of the City Planning Act, confirmation pursuant to the provisions of Article 6, paragraph (1) of the Building Standards Act, and other dispositions specified by Cabinet Order such as other permission based on laws and regulations have been issued.

(Prohibition of Unjust Solicitation)

Article 20 (1) When soliciting the entering into of a Specified Joint Real Estate Venture Contract, a Specified Joint Real Estate Enterprises must not intentionally refrain from informing the counterparty of facts with regard to any important matter, nor provide any false information concerning the particulars related to said Specified Joint Real Estate Venture Contract that may affect the judgment of said other party.

(2) Specified Joint Real Estate Enterprises must not provide false information to Business Partners regarding an important matter which may affect the judgment of said Business Partners and which is related to a Specified Joint Real Estate Venture Contract, in order to prevent the cancellation of said Specified Joint Real Estate Venture Contract (including withdrawal from the partnership; the same applies hereinafter).

Article 21 (1) When soliciting the entering into of a Specified Joint Real Estate Venture Contract, Specified Joint Real Estate Enterprises, their agents, employees, or other hired persons (hereinafter referred to as "Specified Joint Real Estate Enterprises, etc.," in this Article) must not provide conclusive evaluations that would mislead the counterparty into believing that profitability is guaranteed.

(2) When soliciting for the entering into of a Specified Joint Real Estate Venture Contract, a Specified Joint Real Estate Enterprises, etc. must not continue to solicit for the entering into of said Specified Joint Real Estate Venture Contract if the counterparty has indicated unwillingness to enter into said Specified Joint Real Estate Venture Contract (including an unwillingness to be continually subject to said solicitation).

(3) Specified Joint Real Estate Enterprises, etc., must not intimidate and cause nuisance to Business Partners in order to prevent the cancellation of a Specified Joint Real Estate Venture Contract.

(4) Beyond the provisions of the preceding three paragraphs, a Specified Joint Real Estate Enterprises, etc., must not perform the acts specified by ordinance of the competent ministries as acts soliciting the entering into of a Specified Joint Real Estate Venture Contract or preventing the cancellation thereof and

as acts that fail to protect the interests of the counterparty or Business Partners.

(The Application Mutatis Mutandis of the Financial Instruments and Exchange Act)

Article 21-2 The provisions of Article 39 (excluding paragraph (3) proviso and paragraph (5)) and Article 40 of the Financial Instruments and Exchange Act apply mutatis mutandis to the entering into of a Specified Joint Real Estate Venture Contract (excluding a Specified Joint Real Estate Venture Contract entered into by a Special Enterprise business with the objective of pecuniary contribution (including similar contribution specified by ordinance of the competent ministries)), representing or mediating thereof. In this case, the term "Financial Service Provider, etc" in each item of Article 39, paragraph (1), each item of paragraph (2) and paragraph (3) as well as in Article 40 of the same Act is deemed to be replaced with "Specified Joint Real Estate Enterprise"; the phrase "purchase and sale or other transactions of Securities (excluding purchase and sale with a repurchase requirement and predetermined repurchase price, and other transactions specified by Cabinet Order) or Derivative Transactions (hereinafter collectively referred to as a "Purchase and Sale or Other Transaction of Securities, etc." in this Article)" in Article 39, paragraph (1), item (i) of the same Act the term " Purchase and Sale or Other Transaction of Securities, etc." in item (ii) and item (iii) of the same paragraph and also in each item of paragraph (2) of the same Article; and the term the " Financial Instruments Transaction" in Article 40, item (i) of the same Act is deemed to be replaced with the "entering into of the Specified Joint Real Estate Venture Contract"; the phrase "the Securities or Derivatives Transaction (hereinafter collectively referred to as "Securities, etc." in this Article)" in Article 39, paragraph (1), item (i) of the Act, the term "Securities, etc." in item (ii) and item (iii) of the same paragraph as well as the term " Financial Instruments Transaction Contract" in Article 40, item (i) of the same Act is deemed to be replaced with "Specified Joint Real Estate Venture Contract"; the term "customer" in each item of paragraph (1) and paragraph (3) of Article 39 as well as in Article 40, item (ii) of the same Act, the phrase the "customer of a Financial Service Provider, etc." in Article 39, paragraph (2) of the same Act as well as the term "investor" in Article 40, item (ii) of the same Act is deemed to be replaced with "Business Partner"; the phrase "conducts the purchase and sale of Securities or Derivatives Transaction" in Article 39, paragraph (1), item (i) of the same Act is deemed to be replaced with "enter into a Specified Joint Real Estate Venture Contract"; the term "Cabinet Office Ordinance" in paragraph (3) of the same Article and in Article 40, item (ii) of the same Act is deemed to be replaced with "ordinance of the competent

ministries"; the phrase "hereinafter the same applies in this and the following Sections" in Article 29, paragraph (3) of the same Act is deemed to be replaced with the "next paragraph"; and the terms "customer" and "investor" in Article 40, item (i) of the same Act is deemed to be replaced with the "counterparty or the Business Partner."

(Prohibition of Money Lending and Brokerage Thereof)

Article 22 When soliciting for the entering into of a Specified Joint Real Estate Venture Contract, the Specified Joint Real Estate Enterprises must not lend money or securities to the counterparty in connection with the Specified Joint Real Estate Venture; nor act as a broker, intermediary, or agent for a third party in respect to lending money or securities to the counterparty to said Specified Joint Real Estate Contract.

(Entering into of Contracts Based on General Conditions)

Article 23 (1) Specified Joint Real Estate Enterprises must enter into Specified Joint Real Estate Venture Contracts based on the general conditions of the Specified Joint Real Estate Venture Contract subject to the permission under Article 3, paragraph (1) or approval under Article 9, paragraph (1).

(2) Specified Joint Real Estate Enterprises must act as agent in the entering into of a Specified Joint Real Estate Venture Contract based on the general conditions of the Specified Joint Real Estate Venture Contract subject to the permission under Article 3, paragraph (1) or approval under Article 9, paragraph (1) granted to the Specified Joint Real Estate Enterprise to whom the business in relation to Real Estate Transactions is entrusted by said Specified Joint Real Estate Enterprise or the Special Enterprise represented in the conclusion of the contract.

(Delivery of Documents Prior to the Execution of a Specified Joint Real Estate Venture Contract)

Article 24 (1) Specified Joint Real Estate Enterprises must provide to applicants an explanation of the matters concerning the content and performance of the Specified Joint Real Estate Venture Contract which are specified by ordinance of the competent ministries by delivering the documents to that effect prior to the execution of the Specified Joint Real Estate Venture Contract.

(2) When preparing the documents to be delivered pursuant to the provisions of the preceding paragraph, Specified Joint Real Estate Enterprises must have the Business Manager affix the Business Manager's name and seal to said documents.

(Delivery of Documents upon the Execution of a Specified Joint Real Estate

Venture Contract)

Article 25 (1) When a Specified Joint Real Estate Venture Contract is executed, the Specified Joint Real Estate Enterprises must deliver documents stating the following particulars to the party to said Specified Joint Real Estate Venture Contract without delay:

- (i) the type of contract set forth in each item of Article 2, paragraph (3) of the Specified Joint Real Estate Venture Contract;
  - (ii) indications necessary to identify the Real Estate subject to the Real Estate Transaction under the Specified Joint Real Estate Venture Contract, and the content of the Real Estate Transaction;
  - (iii) particulars related to the distribution of proceeds or profits to the Business Partners;
  - (iv) particulars related to the management of assets subject to the Specified Joint Real Estate Venture Contract;
  - (v) particulars related to the term of the contract;
  - (vi) particulars related to liquidation at the time of terminating the contract;
  - (vii) if there is a stipulation concerning the cancellation of the contract, the content thereof;
  - (viii) other particulars specified by ordinance of the competent ministries.
- (2) When preparing the documents to be delivered pursuant to the provisions of the preceding paragraph, Specified Joint Real Estate Enterprises must have the Business Manager affix the Business Manager's name and seal to said documents.

(Cancellation by Means of Documents)

Article 26 (1) A Business Partners may cancel Specified Joint Real Estate Venture Contracts in writing until eight days has elapsed since the day on which said Business Partner receives the documents specified in paragraph (1) of the preceding Article.

- (2) The cancellation provided for in the preceding paragraph take effect when said document is issued.
- (3) In the case of a cancellation pursuant to the provisions of the paragraph (1) the Specified Joint Real Estate Enterprises cannot demand payment of compensation for any damage or penalty that results from said cancellation.
- (4) Special provisions in conflict with the preceding three paragraphs that cause detriment to the Business Partners are invalid.

(Prohibition of Self-Dealing)

Article 26-2 Specified Joint Real Estate Enterprises must not carry out the following acts; provided, however, that this does not apply to cases specified by ordinance of the competent ministries as those where there is no likelihood to



fail to protect the interests of the Business Partners:

- (i) conducting Real Estate Transactions between a Specified Joint Real Estate Enterprise and a Special Enterprise that entrusted said Specified Joint Real Estate Enterprise with business (hereinafter referred to as the "entrusting Special Enterprise");
- (ii) acting as an agent or broker in Real Estate Transactions between the entrusting Special Enterprises that entrusted business with the Specified Joint Real Estate Enterprise.

(Prohibition of Re-entrustment of Business Entrusted by Special Enterprises)

Article 26-3 Specified Joint Real Estate Enterprises (applicable only to persons conducting the business referred to in item (iii)) must not re-entrust all of the business entrusted to them by Special Enterprises to other persons.

(Separate Management of Assets)

Article 27 Specified Joint Real Estate Enterprises must manage any assets subject to a Specified Joint Real Estate Venture Contract separately from its own assets and the assets subject to other Specified Joint Real Estate Venture Contracts as specified by ordinance of the competent ministries.

(Delivery of Asset Management Reports)

Article 28 (1) At the request of the Business Partners, Specified Joint Real Estate Enterprises must provide a an explanation on the status of the management of assets subject to the Specified Joint Real Estate Venture Contract.

(2) Specified Joint Real Estate Enterprises must regularly deliver a report on the status of the management of assets subject to the Specified Joint Real Estate Venture Contract to Business Partners, as specified by ordinance of the competent ministries.

(3) When preparing the documents to be delivered pursuant to the provisions of the preceding paragraph, the Specified Joint Real Estate Enterprises must have the Business Manager affix the Business Manager's name and seal to said documents.

(Inspection of Documents)

Article 29 Specified Joint Real Estate Enterprises (applicable only to persons conducting the business referred to in item (i) or item (iii)) must keep the documents regarding the status of business and assets at each office (in the case of a person conducting the business referred to in item (iii), the status of business and assets of the entrusting Special Enterprise), as specified by ordinance of the competent ministries; and said Specified Joint Real Estate

Enterprise must provide said documents for inspection at the request of Business Partners.

(Lists of Business Partners)

Article 30 (1) When a Specified Joint Real Estate Enterprise (applicable only to a person conducting the business referred to in item (i)) or an entrusting Special Enterprise enters into a Specified Joint Real Estate Venture Contract, the Specified Joint Real Estate Enterprise (applicable only to the person conducting the business referred to in item (i) or item (iii)) must prepare a list of Business Partners subject to the Specified Joint Real Estate Venture Contract (hereinafter referred to as the "list of Business Partners") and keep it as specified by ordinance of the competent ministries.

(2) Specified Joint Real Estate Enterprises (applicable only to a person conducting the business referred to in item (i) or item (iii)) must provide a list of Business Partners for inspection at the request of the Business Partners recorded on said list.

(Confidentiality Obligations)

Article 31 (1) Specified Joint Real Estate Enterprises must not divulge confidential information that it has come to know through business to others without justifiable grounds. The same applies after ceasing business of a Specified Joint Real Estate Venture.

(2) An agent, employee, or other hired person of a Specified Joint Real Estate Enterprise must not divulge any confidential information that said person has come to know through assisting in the business of the Specified Joint Real Estate Venture to others without justifiable grounds. The same applies after said person ceases to be an agent, employee, or other hired person of the Specified Joint Real Estate Enterprise.

## **Chapter IV Supervision**

(Books and Documents Concerning Business)

Article 32 Specified Joint Real Estate Enterprises must prepare books and documents concerning their business (including record books and documents concerning the business of the entrusting Special Enterprise in the case of a person conducting the business referred to in item (iii)) and keep these records and documents as specified by ordinance of the competent ministries.

(Submission of Business Reports)

Article 33 Specified Joint Real Estate Enterprises must prepare a business report for each business year in the form specified by ordinance of the

competent ministries and submit said report to the competent ministers or a prefectural governor from whom the Specified Joint Real Estate Enterprise obtained permission under Article 3, paragraph (1) within three months after the closing of each business year.

(Instructions)

Article 34 (1) The competent ministers or prefectural governors may issue any necessary instructions to a Specified Joint Real Estate Enterprise when said Specified Joint Real Estate Enterprise that obtained permission under Article 3, paragraph (1) from the competent ministers or a prefectural governor falls under any of the following items or has violated the provisions of this Act:

- (i) when the Specified Joint Real Estate Enterprise has caused Business Partners to suffer damage in connection with business or when there is serious concern about such damage;
- (ii) when the Specified Joint Real Estate Enterprise has, in connection with business, committed an act that is unjust or when there is serious concern about such an act potentially being unjust;
- (iii) when the Specified Joint Real Estate Enterprise has violated other laws and regulations in connection with business and has been found to be inappropriate as a Specified Joint Real Estate Enterprise.

(2) The prefectural governors may issue the necessary instructions to a Specified Joint Real Estate Enterprise when the Specified Joint Real Estate Enterprise conducting business in said governor's prefecture after obtaining permission under Article 3, paragraph (1) from the competent ministers or another prefectural governor falls under any item in the preceding paragraph or has violated the provisions of this Act in connection with the business conducted in said prefecture.

(3) When a prefectural governor has imposed a disposition pursuant to the provisions of the preceding paragraph, said governor must report to that effect to the competent ministers without delay if the Specified Joint Real Estate Enterprise obtained permission under Article 3, paragraph (1) from the competent ministers, or to the relevant prefectural governor if said Specified Joint Real Estate Enterprise obtained permission under the same paragraph from the said relevant prefectural governor.

(Orders to Suspend Business)

Article 35 (1) The competent ministers or prefectural governors may issue an order to a Specified Joint Real Estate Enterprise that obtained permission under Article 3, paragraph (1) from the competent ministers or a prefectural governor to suspend its business in whole or in part for a period not longer than one year when said Specified Joint Real Estate Enterprise falls under any

of the following items:

- (i) when the Specified Joint Real Estate Enterprise falls under any items in paragraph (1) of the preceding Article;
  - (ii) when the Specified Joint Real Estate Enterprise has violated the provisions of Article 8, paragraph (1); Article 9; Article 10; Article 15; Article 16, paragraph (1); Article 17; Article 18, paragraph (2) or paragraph (3); Article 19 through Article 21; Article 22 through Article 25; Article 26-2 through Article 30; Article 31, paragraph (1); Article 32 or the second sentence of paragraph (1) of Article 37 (including cases where these provisions are applied mutatis mutandis to paragraph (3) of the same Article); Article 39, paragraph (1); or Article 40 of the Financial Instruments and Exchange Act applied mutatis mutandis to Article 21-2 (hereinafter referred to as the "Financial Instruments and Exchange Act as applied mutatis mutandis");
  - (iii) when the Specified Joint Real Estate Enterprise does not follow the instructions issued pursuant to the provisions of paragraph (1) or paragraph (2) of the preceding Article;
  - (iv) when the Specified Joint Real Estate Enterprise has violated the disposition imposed by the competent ministers or a prefectural governor based on the provisions of this Act;
  - (v) when the Specified Joint Real Estate Enterprise has committed a wrongful or seriously unjust act in connection with the Specified Joint Real Estate Venture;
  - (vi) when there is a person among officers or the employees specified by Cabinet Order who committed a wrongful or seriously unjust act in connection with the Specified Joint Real Estate Venture within a period of five years prior to the suspension of business.
- (2) The prefectural governors may issue an order to a Specified Joint Real Estate Enterprise that conducts business in said governor's prefecture after obtaining permission under Article 3, paragraph (1) from the competent ministers or another prefectural governor to suspend its business in whole or in part for a period not longer than one year when said Specified Joint Real Estate Enterprise falls under any of item (i) through item (v) in the preceding paragraph.
- (3) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to the case of the preceding paragraph.

(Rescission of Permission)

Article 36 When a Specified Joint Real Estate Enterprise that obtained permission under Article 3, paragraph (1) from the competent ministers or a prefectural governor falls under any of the following items, the competent ministers or prefectural governors can rescind permission granted to the

Specified Joint Real Estate Enterprise under the same paragraph:

- (i) when the Specified Joint Real Estate Enterprise has come to fall under any of item (ii), item (iii) of Article 6 (applicable only to the section of the provisions of the laws and regulations of a foreign country that is comparable to this Act) or item (v) through item (viii) of the same Article;
- (ii) when the Specified Joint Real Estate Enterprise no longer meets the standards set forth in Article 7, item (i) or item (ii);
- (iii) when the Specified Joint Real Estate Enterprise has obtained permission under Article 3, paragraph (1) by wrongful means;
- (iv) when the Specified Joint Real Estate Enterprise has violated the conditions attached pursuant to the provisions of Article 4, paragraph (1);
- (v) when the Specified Joint Real Estate Enterprise falls under any items of paragraph (1) of the preceding Article in an especially serious -circumstances or has violated an order to suspend business pursuant to the provisions of paragraph (1) or paragraph (2) of the same Article.

(Orders to Dismiss a Business Manager)

Article 37 (1) When a Business Manager, who is appointed by a Specified Joint Real Estate Enterprise that obtained permission under Article 3, paragraph (1) from the competent ministers or a prefectural governor, has committed a wrongful or seriously unjust act in connection with a Specified Joint Real Estate Venture, the competent ministers or prefectural governors may order said Specified Joint Real Estate Enterprise to dismiss the Business Manager. In this case, said Specified Joint Real Estate Enterprise must not appoint the person dismissed by said order as a Business Manager within a period of one year since the day of said dismissal, or a period as determined by the competent ministers or a prefectural governor.

(2) A prefectural governor may order a Specified Joint Real Estate Enterprise to dismiss a Business Manager when said Business Manager, who was appointed by a Specified Joint Real Estate Enterprise that obtained permission under Article 3, paragraph (1) from the competent ministers or another prefectural governor, has committed the act provided for in the preceding paragraph in said governor's prefecture.

(3) The provisions of Article 34, paragraph (3) and the provisions of the second sentence of paragraph (1) apply mutatis mutandis to cases as under the preceding paragraph.

(Public Notification of Dispositions of Supervision)

Article 38 When the competent ministers or prefectural governors carries out the disposition pursuant to the provisions of Article 35, paragraph (1) or paragraph (2) or Article 36, said ministers or prefectural governor must issue a

public notification to that effect as specified by ordinance of the competent ministries.

(Guidance)

Article 39 In order to ensure the proper management of a Specified Joint Real Estate Venture or facilitate the sound development of a Specified Joint Real Estate Venture, the competent ministers may give any necessary guidance, advice, and recommendations to all Specified Joint Real Estate Enterprises, and in the case of prefectural governors, to the Specified Joint Real Estate Enterprises who are conducting the Specified Joint Real Estate Venture in said governor's prefecture.

(On-Site Inspections)

Article 40 (1) When the competent ministers or prefectural governors finds it necessary to enforce this Act, said minister or governor may order the person that conducts a Specified Joint Real Estate Venture (excluding those conducted by Special Enterprises; the same applies here under in this paragraph) (in cases of prefectural governors, the person that conducts Specified Joint Real Estate Venture in said governor's prefecture. The same applies here under in this paragraph) or a person that conducts transactions with the person conducting said Specified Joint Real Estate Venture; or a person that is entrusted with the business of said Specified Joint Real Estate Venture by a person conducting said Specified Joint Real Estate Venture to submit a report or data on the business or assets of the person conducting said Specified Joint Real Estate Venture, or otherwise have officials enter the office or other places of the person that conducts the Specified Joint Real Estate Venture or the person that is entrusted with the business of said Specified Joint Real Estate Venture by the person conducting said Specified Joint Real Estate Venture where the business is conducted, inspect the status of business or assets, or the books and documents and other properties of the person who conducts the Specified Joint Real Estate Venture, or otherwise question the persons concerned.

(2) Officials must carry an identification card and present it at the request of the persons concerned when conducting an on-site inspection pursuant to the provisions of the preceding paragraph.

(3) The authorities of on-site inspection under the provisions of paragraph (1) must not be construed as the authorities to conduct a criminal investigation.

#### **Chapter IV-2 Special Enterprises**

Article 40-2 (1) The provisions of Article 3, paragraph (1) do not apply to Special

Ventures.

- (2) A corporation intending to conduct a Special Venture must notify the following particulars to the competent ministers in advance as specified by ordinance of the competent ministries:
  - (i) trade name or business name and address;
  - (ii) the names of officers and names of the employees specified by Cabinet Order, if any;
  - (iii) the name and location of the office;
  - (iv) the amount of capital or contributions;
  - (v) the trade name or business name and address of the Specified Joint Real Estate Enterprise to which business is entrusted;
  - (vi) other particulars specified by ordinance of the competent ministries.
- (3) The following documents must be attached to the notification pursuant to the provisions of the preceding paragraph:
  - (i) the articles of incorporation or a document in lieu thereof;
  - (ii) the certificate of registered matters or a document in lieu thereof;
  - (iii) a document stating any other particulars specified by Cabinet Order.
- (4) When there has been a change in the particulars set forth in each item of paragraph (2), Special Enterprises must notify the competent ministers of that effect as specified by ordinance of the competent ministries within 30 days.
- (5) In the case where a Special Enterprise conducts Special Ventures, the Special Enterprise is deemed to be a Specified Joint Real Estate Enterprise that obtained permission under Article 3, paragraph (1) from the competent ministers, and the provisions of Article 11, paragraph (1); Article 12 through Article 14 and Article 23, paragraph (1) in addition to Article 39 of the Financial Instruments and Exchange Act as applied mutatis mutandis (excluding paragraph (3) proviso and paragraph (5)) as well as the provisions of Chapter VII in relation to these provisions apply. In this case, the phrase "from Article 5, paragraph (1), item (i) through item (viii)" in Article 12 is deemed to be replaced with "from Article 40-2, paragraph (2), item (i) through item (v); the phrase "the list of Specified Joint Real Estate Enterprises" in the same Article and Article 13 is deemed to be replaced with "the list of Special Enterprises"; the phrase "from Article 5, paragraph (2), item (i) through item (iv)" in the same Article is deemed to be replaced with "Article 40-2, paragraph (3), item (i) and item (ii)" and the term "when" in Article 23, paragraph (1) is deemed to be replaced with "when the Specified Joint Real Estate Enterprise entrusts the business related to Real Estate Transactions".
- (6) When a venture started by a Special Enterprise as a Special Venture no longer falls under the category of Special Venture, the competent ministers may take necessary measures with regard to said Special Enterprise by setting a period not longer than three months.

- (7) When a venture started as a Special Venture has come to not fall under the category of Special Venture, the Special Enterprise must submit a notification to that effect to the competent ministers as specified by ordinance of the competent ministries within a period of 30 days.
- (8) When the competent ministers finds it especially necessary to confirm the status of the business of a Special Enterprise, said minister may order the Special Enterprise to submit reports or data to the extent necessary for reference regarding the particulars related to the notification pursuant to the provisions of paragraph (2), or otherwise have officials enter the office or other places where business is conducted, inspect the books and documents and other articles or question the persons concerned with regard to the particulars related to the notification pursuant to the provisions of the same paragraph.
- (9) The provisions of paragraph (2) and paragraph (3) of the preceding Article are applied mutatis mutandis to on-site inspections pursuant to the provisions of the preceding paragraph.

## **Chapter V Specified Joint Real Estate Venture Associations**

(Specified Joint Real Estate Venture Associations)

- Article 41 (1) A general incorporated association that is using the term "Specified Joint Real Estate Venture Association" in its business name must stipulate in the articles of incorporation that it seeks to protect the Business Partners, aims to contribute to the sound development of Specified Joint Real Estate Ventures, and allows Specified Joint Real Estate Enterprises to join it as its members.
- (2) The general incorporated association specified by the preceding paragraph (hereinafter referred to as the "Association" in this chapter) carries out the following business in order to achieve its purpose:
    - (i) providing members with guidance, recommendations, and other services in order for them to comply with the provisions of this Act; the Building Lots and Buildings Transaction Business Act; the Act regulating the receipt of contributions, the receipt of deposits, and interest rates as well as other laws and regulations with regard to the business of Specified Joint Real Estate Ventures conducted by the members;
    - (ii) providing guidance, recommendations, and other services necessary for the regulation of the contents of the Specified Joint Real Estate Venture Contract and protection of the interest of the Business Partners with regard to the business of Specified Joint Real Estate Ventures conducted by the members;
    - (iii) resolving complaints from the Business Partners with regard to the business of Specified Joint Real Estate Ventures conducted by members;



- (iv) research and study necessary for ensuring the proper and rational use of Real Estate and restraining speculative transactions;
- (v) other business necessary for achieving the purpose of the Association.
- (3) It is not possible to change the stipulation made in the articles of incorporation pursuant to the provisions of paragraph (1).
- (4) When an Association is established, the Association must submit notification to that effect to the competent ministers with the certificate of registered matters and the copies of the articles of incorporation, within two weeks from the date on which the Association is established.
- (5) The Association must make a list of their members available for public inspection.
- (6) In order to ensure the proper management of Specified Joint Real Estate Ventures or facilitate the sound development of Specified Joint Real Estate Ventures, the competent ministers may demand of the Association submission of a report on the necessary particulars or may give necessary guidance, advice, and recommendations.

(Restrictions on the Use of Business Names)

- Article 42 (1) No person that is not the Association may use the term "Specified Joint Real Estate Venture Association" in said person's business name.
- (2) No person other than members of the Association may use the term "Member of a Specified Joint Real Estate Venture Association" in said person's business name.

(Resolution of Complaints)

- Article 43 (1) When a Business Partner, etc. makes a proposal for resolving a complaint regarding the business of a Specified Joint Real Estate Venture conducted by a member, the Association must hold consultations, provide the Business Partner, etc., who is making the proposal with the necessary advice, investigate the circumstances under which the complaint was made, inform said member of the content of the complaint, and seek prompt handling thereof.
- (2) When the Association finds it necessary to resolve a complaint for which the proposal prescribed in the preceding paragraph has been made, the Association may demand the member to provide explanation orally or in writing, or submit relevant data.
  - (3) When the Association makes a demand pursuant to the provisions of the preceding paragraph, the member must not refuse it without justifiable grounds.
  - (4) The Association must ensure that members are informed of the proposal under item (i), the circumstances under which the complaint was made, and the result of the resolution.

## Chapter VI Miscellaneous Provisions

(Closure of Business as a Result of the Rescission of Permission)

Article 44 When the permission under Article 3, paragraph (1) ceased to be effective pursuant to the provisions of Article 11, paragraph (2) or the permission under the same paragraph was rescinded pursuant to the provisions of Article 36, the person that was the Specified Joint Real Estate Enterprise subject to said permission or said person's general successor is still deemed to be a Specified Joint Real Estate Enterprise for the purpose of closing down business based on the Specified Joint Real Estate Venture Contract entered into by said Specified Joint Real Estate Enterprise, or the entrusting Special Enterprise related to said Specified Joint Real Estate Enterprise.

(Technical Replacement of Terms in Applying the Provisions of this Act to a Foreign Corporation)

Article 45 If a Specified Joint Real Estate Enterprise or a Special Enterprise is a foreign corporation, or if real property subject to a Specified Joint Real Estate Venture is located in a foreign country, technical replacement of terms and other particulars necessary when applying the provisions of this Act to said Specified Joint Real Estate Enterprise or said Special Enterprise, or to said Specified Joint Real Estate Venture, are specified by Cabinet Order.

(Special Provisions Concerning Trust Companies)

Article 46 (1) The provisions of Article 3 through Article 10 and Article 36 do not apply to trust companies that obtained the license under Article 3 or Article 53, paragraph (1) of the Trust Business Act (Act No. 154 of 2004) (excluding trust companies specified by Cabinet Order) and submitted the notification pursuant to the provisions Article 77, paragraph (3) of the Building Lots and Buildings Transaction Business Act (applicable only to trust companies that registered under Article 29 of the Financial Instruments and Exchange Act in the case of trust companies intending to conduct the business referred to in item (iv); referred to as "Specified Trust Companies" hereunder in this Article).

(2) The provisions of this Act, excluding the provisions in the preceding paragraph, apply to the Specified Trust Companies conducting Specified Joint Real Estate Ventures, deeming that these Specified Trust Companies are Specified Joint Real Estate Enterprises that obtained permission under Article 3, paragraph (1) from the competent ministers. In this case, the phrase "the permission under Article 3, paragraph (1) or the approval under Article 9, paragraph (1)" in Article 23, paragraph (1) is deemed to be replaced with "the

notification under Article 46, paragraph (3) or paragraph (4)" and the phrase "the disposition pursuant to the provisions of Article 36" in Article 38 is deemed to be replaced with "the order to suspend business pursuant to the provisions of Article 46, paragraph (5)."

- (3) When Specified Trust Company intend to conduct a Specified Joint Real Estate Venture, it must submit notification to that effect to the competent ministers, attaching the general conditions of the Specified Joint Real Estate Venture Contract to the notification.
- (4) When there has been change in the particulars recorded on the list of Specified Joint Real Estate Enterprises provided for in Article 12 (excluding the particulars set forth in Article 5, paragraph (1), item (v) and item (vi)) or there has been addition to, or change in the general conditions of the Specified Joint Real Estate Venture Contract, the Specified Trust Company that is deemed to be a Specified Joint Real Estate Enterprise pursuant to the provisions of paragraph (2) must submit notification to that effect to the competent ministers within 30 days as specified by ordinance of the competent ministries.
- (5) When a Specified Trust Company that is deemed to be a Specified Joint Real Estate Enterprise pursuant to the provisions of paragraph (2) falls under any item of paragraph (1) of Article 35, in an especially serious circumstances or has violated the order to suspend business pursuant to the provisions of the same paragraph or paragraph (2) of the same Article, the competent ministers may order the said Specified Trust Company to suspend its business in whole or in part for a period not longer than five years.
- (6) The particulars necessary for applying the provisions of this Act to the financial institutions concurrently carrying out trust business and the trust companies specified by Cabinet Order under paragraph (1) are specified by Cabinet Order.

(Exclusion from Application)

Article 46-2 The provisions of Article 19 through Article 21; Article 22; Article 24 through Article 26 as well as Article 28, paragraph (2) and paragraph (3) as well as Article 40 of the Financial Instruments and Exchange Act as applied mutatis mutandis do not apply if a Specified Joint Real Estate Enterprise conducts a Specified Joint Real Estate Venture with a Special Investor as its counterparty or as its Business Partner.

Article 47 (1) The provisions of Article 22 do not apply if real estate brokers provided for in Article 2, item (iii) of the Real Estate Brokerage Act (referred to as the "-Building lots and buildings business operator " hereunder in the next paragraph) is the counterparty.

- (2) The provisions of Article 26 do not apply if the Business Partner is a Building lots and buildings business operator.
- (3) The provisions of this Act do not apply to the National Government and Local Governments.

(Non-Application of the Provisions of the Real Estate Brokerage Act)

Article 48 The provisions of the Building Lots and Buildings Transaction Business Act do not apply to the Business Partners who conduct Real Estate Transactions based on the contract set forth in Article 2, paragraph (3), item (i) as well as to other Business Partners specified by Cabinet Order.

(Application Process)

Article 48-2 The application and other documents required to be submitted to the competent ministers pursuant to the provisions of Article 5, paragraph (1); Article 8, paragraph (1); Article 9, paragraph (1) and paragraph (2); Article 10; Article 11, paragraph (1) as well as Article 40-2, paragraph (2), paragraph (4) and paragraph (7) must be processed through the a prefectural governor who has jurisdiction of the location where the main office of the applicant is established (if the provisions of Article 11, paragraph (1) apply, the main office of the person that falls under any items of the same paragraph).

(Administrative Classification of Affairs)

Article 48-3 Affairs that are to be processed by a prefectural government pursuant to the provisions of Article 12 and Article 13 (including cases where these provisions are applied after deemed replacement as provided for in Article 40-2, paragraph (5)) as well as the provisions of the preceding Article (in respect of the affairs to be processed pursuant to the provisions of Article 12 and Article 13, applicable only to the keeping, recording, and inspection of the list of Specified Joint Real Estate Enterprises in relation to the Real Estate joint Enterprises that obtained permission from the competent ministers) are the statutory entrusted affairs referred to in item (i) provided for in Article 2, paragraph (9), item (i) of the Local Autonomy Act (Act No. 67 of 1947).

(Competent Ministers)

Article 49 (1) The competent ministers in this Act are as follows:

- (i) the Prime Minister and the Minister of Land, Infrastructure, Transport, and Tourism (hereinafter referred to as the "Minister of MLIT") for the particulars related to the Specified Joint Real Estate Ventures subject to Specified Joint Real Estate Venture Contracts set forth in Article 2, paragraph (3), item (i) or item (ii), Specified Joint Real Estate Venture Contracts set forth in item (iv) of the same paragraph those which is

comparable to a Special Joint Real Estate Venture Contract set forth in item (i) or item (ii) of the same paragraph or contracts that are prescribed by Cabinet Order as similar to the type of these Specified Joint Real Estate Venture Contracts with the objective of pecuniary contribution providing for the splitting of residual assets or refunding of contributions with money when the contract is terminated;

(ii) the Minister of MLIT for the particulars related to Specified Joint Real Estate Ventures other than the Specified Joint Real Estate Ventures provided for in the preceding item.

(2) The ordinance of the competent ministries in this Act is a Cabinet Office Ordinance and an Ordinance of the Ministry of Land, Infrastructure, Transport and Tourism.

(3) The Prime Minister delegates authority (excluding authority specified by Cabinet Order) to the Commissioner of the Financial Services Agency.

(4) The authority delegated to the Commissioner of the Financial Services Agency pursuant to the provisions of the preceding paragraph and the authority of the Minister of MLIT under this Act may be delegated, in part, to the Chiefs of Local Branch Bureaus and Departments (Director-General of the Finance Bureau or Finance Branch Bureau in the case of the authority delegated to the Commissioner of the Financial Services Agency).

(Submission of Data to the Minister of Finance)

Article 49-2 When the Minister of Finance finds it necessary to formulate a plan or initiative for the system of Specific Joint Real Estate Ventures in connection with the system for resolution of financial failures and financial crisis management, which are under the jurisdiction of said Minister, said Minister may request the Prime Minister to submit the necessary data and to provide an explanation.

(Delegation to Ordinance of the Competent Ministries)

Article 50 Beyond the particulars provided for in this Act, the particulars necessary to execute this Act are set forth in the ordinance of the competent ministries.

(Transitional Measures)

Article 51 If an order is enacted, revised, or abolished based on the provisions of this Act, it is possible to specify the required transitional measures (including the transitional measures with regard to penal provisions) in said order to the extent considered reasonably necessary for establishment, revision, or abolishment of said order.

## Chapter VII Penal Provisions

Article 52 A person that falls under any of the following items is subject to a term of imprisonment with work of not more than three years or a fine of not more than three million yen, or the cumulative imposition of both:

- (i) a person that conducted a Specified Joint Real Estate Venture in violation of the provisions of Article 3, paragraph (1) without obtaining permission under the same paragraph;
- (ii) a person that obtained permission under Article 3, paragraph (1) by wrongful means;
- (iii) a person that had another person conduct a Specified Joint Real Estate Venture in violation of the provisions of Article 15;
- (iv) a person that violated an order to suspend business provided for in Article 35, paragraph (1) or paragraph (2), or Article 46, paragraph (5).

Article 52-2 In the case of violation of the provisions of Article 26-2 (applicable only to the part in relation to item (i)) or Article 39, paragraph (1) of the Financial Instruments and Exchange Act as applied mutatis mutandis the representative, agent, employee, or other hired person of the Specified Joint Real Estate Enterprise who committed the act is subject to a term of imprisonment with work of not more than three years or a fine of not more than three million yen, or the cumulative imposition of both.

Article 52-3 A person that falls under any of the following items is subject to a term of imprisonment with work of one year or a fine of not more than three million yen, or the cumulative imposition of both:

- (i) a person that intentionally refrain from informing of the facts or provide false information in violation of the provisions of Article 20, paragraph (1);
- (ii) a person that provide false information in violation of the provisions of Article 20, paragraph (2);
- (iii) a person that conducted a Special Venture without submitting notification in violation of Article 40-2, paragraph (2);
- (iv) a person that violated an order issued pursuant to the provisions of Article 40-2, paragraph (6);
- (v) a person that failed to submit notification or submitted false notification in violation of the provisions of Article 40-2, paragraph (7).

Article 53 A person that falls under any of the following items is subject to a term of imprisonment with work of not more than one year or a fine of not more than one million yen, or the cumulative imposition of both:

- (i) a person that violated the conditions attached pursuant the provisions of

- Article 4, paragraph (1);
- (ii) a person that changed the type of business or made additions or changes to the general conditions of the Specified Joint Real Estate Venture Contract set forth in Article 5, paragraph (2), item (iv) in violation of the provisions of Article 9, paragraph (1);
  - (iii) a person that violated the provisions of Article 39, paragraph (2) of the Financial Instruments and Exchange Act as applied mutatis mutandis;
  - (iv) a person that lent money or securities to the counterparty, or acted as a broker, intermediary, or agent for a third party in respect of lending money or securities to the counterparty in violation of the provisions of Article 22.

Article 53-2 In the case of item (iii) of the preceding Article, the economic benefit gained by the offender or a third party with knowledge is confiscated. If said economic benefit cannot be confiscated in whole or in part, the collection of an equivalent value is enforced.

Article 54 A person that falls under any of the following items is subject to a term of imprisonment with work of not more than six months or a fine of not more than 500 thousand yen, or the cumulative imposition of both:

- (i) a person that made a false statement in the application for permission under Article 5, paragraph (1) or the documents set forth in each item of paragraph (2) of the same Article and submitted it;
- (ii) a person that gave an indication that is significantly different from the facts or extremely misleading to the public in violation of the provisions of Article 18, paragraph (3);
- (iii) a person that failed to provide documents or reports in violation of the provisions of Article 24, paragraph (1); Article 25, paragraph (1); or Article 28, paragraph (2); or provided documents or reports without stating the particulars specified in these provisions; or provided documents or reports containing false statements.

Article 55 A person that falls under any of the following items is subject to a fine of not more than 500 thousand yen:

- (i) a person that submitted the application containing false statements for permission under Article 8, paragraph (1);
- (ii) a person that opened an office or did not take necessary measures in violation of the provisions of Article 17, paragraph (3);
- (iii) a person that provided an applicant for a Specified Joint Real Estate Venture Contract with the documents without affixing the Business Manager's name and seal provided for in Article 24, paragraph (2);
- (iv) a person that provided a party to a Specified Joint Real Estate Venture

- Contract with the documents without affixing the Business Manager's name and seal provided for in Article 25, paragraph (2);
- (v) a person that provided Business Partners with the documents without affixing the Business Manager's name and seal provided for in Article 28, paragraph (3);
  - (vi) a person that did not keep documents nor provide such documents for inspection at the request of Business Partners, kept documents containing false statements, or provided such documents for the inspection by Business Partners in violation of the provisions of Article 29;
  - (vii) a person that did not prepare books and documents nor keep these books and documents, prepared false books and documents, or kept such false books and documents in violation of the provisions of Article 32;
  - (viii) a person that did not prepare a business report, did not submit such business report, prepared a false business report, or submitted such false business report in violation of the provisions of Article 33;
  - (ix) a person that failed to dismiss the Business Manager in violation of the order provided for in the first sentence of paragraph (1) or paragraph (2) of Article 37, or appointed the Business Manager in violation of the provisions stipulated in the second sentence of paragraph (1) of the same Article (including cases where these provisions are applied mutatis mutandis to paragraph (3) of the same Article);
  - (x) a person that failed to report, failed to submit data, prepared false reports, or provided data containing false statements in violation of the order pursuant to the provisions of Article 40, paragraph (1) or Article 40-2, paragraph (8); or otherwise refused, prevented, or challenged the on-site inspection prescribed in these provisions;
  - (xi) a person that submitted false notification with regard to the notification provided for in Article 40-2, paragraph (2);
  - (xii) a person that submitted the documents set forth in each item of Article 40-2, paragraph (3) containing false statements.

Article 56 A person that falls under any of the following items is subject to a fine of not more than 300 thousand yen:

- (i) a person that failed to submit notification or submitted false notification in violation of the provisions of Article 10 or Article 40-2, paragraph (4);
- (ii) a person that violated the provisions of Article 16, paragraph (1);
- (iii) a person that displayed the signs provided for in Article 16, paragraph (1) or similar signs in violation of the provisions of paragraph (2) of the same Article;
- (iv) a person that failed to keep a list of Business Managers, failed to state the particulars specified by same paragraph on such list, or made false



- statements in violation of the provisions of Article 17, paragraph (2);
- (v) a person that entered into a Specified Joint Real Estate Venture Contract which is not based on the general conditions of Specified Joint Real Estate Venture Contract, or acted as agent in the entering into thereof in violation of the provisions of Article 23, paragraph (1) (including cases where these provisions are applied after deemed replacement as provided for in Article 40-2, paragraph (5) and Article 46, paragraph (2)) or paragraph (2);
- (vi) a person that failed to prepare a list of Business Partners, did not keep such a list, did not provide said list for inspection at the request of a Business Partner, or otherwise prepared a false list of Business Partners, kept such list, or provided a Business Partner with such list for inspection in violation of the provisions of Article 30;
- (vii) a person that used the term "Member of a Specified Joint Real Estate Venture Association" in said person's business name in violation of the provisions of Article 42, paragraph (2);
- (viii) a person that carried out a Specified Joint Real Estate Venture without submitting notification, or submitting false notification in violation of the provisions of Article 46, paragraph (3);
- (ix) a person that failed to submit notification or submitted false notification in violation of the provisions of Article 46, paragraph (4).

Article 57 (1) When the representative of a corporation (including an unincorporated association or foundation with a stipulation for its representative or administrator; the same applies hereunder in this paragraph), or the agent, employee, or other hired person of a corporation or individual has committed illegal acts specified in each of the following items in connection with the business or assets of said corporation or individual, not only the offender is subject to punishment but also the corporation is subject to punishment by the fine prescribed in each of said items as well as said individual by the fine prescribed in the respective Articles:

- (i) Article 52-2: punishment by a fine of not more than 300 million yen;
  - (ii) Article 52; Article 52-3, item (i) or item (ii); or Article 53, item (iii): punishment by a fine of not more than 100 million yen;
  - (iii) Article 52-3, item (iii) through item (v); Article 53, item (i), item (ii) or item (iv), or the preceding three Articles: Punishment by the fine prescribed in the respective Articles.
- (2) If the provisions of the preceding paragraph apply to unincorporated associations or foundations, the representative or administrator represents said unincorporated association, or foundation with regard to procedural acts, and the provisions of the law concerning criminal procedures apply mutatis mutandis if the corporation is treated as a defendant or suspect.

Article 58 A person that did not submit notification or submitted false notification in violation of Article 11, paragraph (1) is subject to punishment by a non-penal fine of not more than 1 million yen.

Article 59 A person that used the term "a Specified Joint Real Estate Venture Association" in said person's business name in violation of the provisions of Article 42, paragraph (1) is subject to punishment by a non-penal fine of not more than 100 thousand yen.