

## DISCLAIMER

This document is an English translation of the Japanese Delivery Prospectus of “Daiwa ETF – Nikkei 225 (hereinafter referred to as the “Fund”).

This English translation is not an official translation and is not required by laws or any regulation and it is offered for information purpose only. This English translation shall not be considered as an offer or solicitation for any investment to the Fund.

This English translation is based on the Prospectus of the Fund as of October 4, 2018, except as otherwise indicated herein.

A part of the contents in the Japanese Delivery Prospectus, including the sections headed “Reference Information” and “Past Performance”, are omitted in this English translation. For the omitted sections, please kindly refer to the official Japanese Delivery Prospectus for this section.

The accuracy, reliability and timeliness of this English translation are not guaranteed and Daiwa Asset Management cannot guarantee its accuracy or completeness between the official Japanese version and the English translation.

In case there are any inconsistencies between the official Japanese Delivery Prospectus and this English translation, the official Japanese version shall prevail.

The Fund is not listed on any exchange other than those in Japan.

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Commencement Date: October 4, 2018

Explanatory Booklet on the Investment Trust (Delivery Prospectus)

## **Daiwa ETF – Nikkei 225**

**Open-ended Investment Trust/Domestic Stocks/ETF/Index Type**

### <Management Company>

Daiwa Asset Management Co. Ltd. (the party who is issuing investment instructions for the Fund)

Registration Number: Director of Kanto Local Finance Bureau (Financial Instrument Firm) No.352

### <Trustee>

Sumitomo Mitsui Trust Bank, Limited (the party responsible for custody and administration of the Fund.)

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- This prospectus is published pursuant to the provisions of Article 13 of the Financial Instruments and Exchange Act (No.25 of 1948).

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Product Classification					Segmentation by Attribution			
Unit Type / Open-ended	Eligible Market	Eligible Investments (source of income)	Independent Segment	Supplementary Classification	Eligible Investments	Timing of Accounting Period	Geographical Areas of Investment	Index Followed
Open-ended Investment Trust	Domestic	Stocks	ETF	Index Type	Stock General	Yearly	Japan	Nikkei 225

\*Please refer to The Investment Trust Association, Japan website (<http://www.toushin.co.jp>) for definition of product classification and segmentation by attribute above.

<About the Management Company (as of July 31, 2018)>

Company Name: Daiwa Asset Management Co. Ltd.

Established: December 12, 1959

Capital Amount: 15.174 billion Japanese Yen

Total Assets Under Management: 17.3215 trillion Japanese Yen

- In connection with the public offering for subscription of the Fund, which is made by way of this prospectus, the Management Company, which is the Issuer of beneficiary certificates of the Fund, filed a securities registration statement with the Director of the Kanto Local Finance Bureau on October 3, 2018, pursuant to the provisions of Article 5 of the Financial Instruments and Exchange Act. The registration has become effective on October 4, 2018.
- We will confirm the intention of beneficiaries of the Fund in advance when a significant amendment is made to the content of the Fund under the Act on Investment Trust and Investment Corporations.
- The investment trust assets are separately managed by the Trustee under the Trust Act.
- A copy of Prospectus Issued upon Request could be obtained from a distributor. If you request this document, please make a personal record to that effect.

## Objective and Characteristics of the Fund

### Daiwa ETF – Nikkei 225

#### <Investment Objective>

The Fund aims to match the rate of change of NAV per unit of the Fund to that of Nikkei 225.

#### <Characteristics of the Fund>

(1) The Fund will invest in stocks that are included and scheduled to be included in Nikkei 225 to match the rate of change of NAV per unit of the Fund to that of Nikkei 225.

- In principle, the Fund aims to invest in all the stocks included in Nikkei 225.
- To achieve the above, the Management Company may give instructions to adjust the components of the trust assets (including instructions to utilize index futures).
- Depending on the market trends, and the size of Fund, etc., the management set out above may not be achieved.

#### <About Nikkei 225>

##### A) About Nikkei 225

- The Nikkei 225 (Nikkei Stock Average) is an index developed by Nikkei Inc. and constituents of 225 stocks are selected from Tokyo Stock Exchange 1<sup>st</sup> Section.
- Nikkei 225 started its equity index calculation from 1950 and is one of the representative equity indices for Japanese stock market.

##### B) Calculation Method

$$\text{Nikkei 225}(*1) = \text{Aggregate Price of 225 stocks included in the index} (*2) / \text{Divisor} (*3)$$

(\*1) Stocks that do not have a par value of 50 yen are converted to 50 yen par value. As to maintain consistency of stocks that split or merged, converted par value may be used.

(\*2) Calculate to the second decimal point by rounding up the third decimal point.

(\*3) Nikkei 225 Index employs price-weighted averaging (index constituent has an equal weight in the index); the aggregate stock price of 225 stocks divided by 225 will be the price of the Index. But splits and constituents revisions will prevent from consistency in the calculation of the Index. Nikkei will maintain its consistency by adjusting the divisor.

##### C) Management of the Nikkei 225 (Index selection method)

The constituents of Nikkei 225 are selected from the most liquid stocks of the Tokyo Stock Exchange 1<sup>st</sup> Section. The constituents (stocks) will go through an Annual Review but in case of mergers /

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bankruptcies, immediate review (Non-Annual Review) will be conducted.

During the Annual Review, low liquid stocks are replaced by higher liquid stocks which are not the current constituent of the Nikkei 225. Additionally, sector-weighting will be considered as to maintain its balance.

As for the Non-Annual Review, in principal, stocks delisted from Tokyo Stock Exchange 1<sup>st</sup> Section will be replaced by the most liquid stock from the same sector.

The decision of new stocks to be included in the Index and elimination of stocks from the Index will be made by Nikkei Inc. with the support of academic experts and specialists.

\*Management of the Nikkei 225 (Nikkei 225 Index selection method) will be reviewed considering the market environment and change in the economic conditions as well as legislative / regulatory changes.

- The NIKKEI 225 is calculated by a method independently developed by Nikkei Inc. (hereinafter "Nikkei"), is a copyrightable work. Nikkei owns the copyright and any other intellectual property rights in The Nikkei Indexes themselves, and the method for calculating The Nikkei Indexes and the like.
- All ownership of trademarks and any other intellectual property rights with respect to marks representing "Nikkei Inc.," "Nikkei," and The Nikkei Indexes belongs to Nikkei.
- The management of the Fund (Daiwa ETF – Nikkei 225) is the responsibility of the Management Company and Nikkei Inc. has no responsibility for its management or the transactions of the Fund.
- Nikkei is not obliged to continuously publish The Nikkei Indexes, nor is it liable for any error or delay in, or discontinuation of the publication thereof.
- Nikkei owns the right to change the content of The Nikkei Indexes, such as the calculation method thereof, and the right to suspend the publication thereof.

(2) The structure of the Fund differs from that of the standard unlisted investment trusts.

- The units are listed on Tokyo Stock Exchange and can be traded in the same manner as listed stocks.
  - Trades may be made by minimum 1 unit.
  - The method of trading is generally the same as that of stocks.
- Subscription of additional units may be made for stocks.
  - Subscribers of additional units must apply for the Subscribing Basket at the time of subscription (which is the basket composed of the stocks included in Nikkei 225 in the ratio designated by the Management Company as equivalent to the component ratio of the stocks included in Nikkei 225)
  - Unless specified otherwise, subscription for cash will not be accepted.
- Units may be exchanged for stocks
  - Unitholders may apply to the Management Company for exchange of the units belonging to them in integral multiple of the number of units designated by the Management Company for the stocks equivalent to the portion of the trust assets represented by the units.
  - Units may not be redeemed for cash.
- Distribution will be paid to registered unitholders
  - Registered unitholders are those whose personal names or corporate names, addresses, and personal ID numbers or corporate ID numbers (or, personal names or corporate names, and addresses, in case of persons who do not have personal ID numbers or corporate ID numbers or who receive distributions through payment handling persons as provided for under Paragraph 1 of Article 9-3-2 of the Act on Special Measures Concerning Taxation) are registered by the Trustee as of the last day of each calculation period.

(3) The distribution will be made, in each calculation period, in the full amount of dividends received, interests received and other incomes arising from the trust assets after deduction of interests paid, management fee (trust fee) and other expenses similar to these.

Accounting Day is the 10th of July of each year.

\*There is no guarantee of the payment or the amount of distributions in the future.

#### Major Investment Restrictions

- There is no restriction on the investment ratio in stocks.
- The Fund will not invest in assets denominated in foreign currencies.

## Investment Risks

### Factors to cause fluctuation of NAV per unit

- The Fund will invest in financial instruments whose prices fluctuate and as a result the NAV per unit of the Fund will also fluctuate. Therefore the invested amount will not be guaranteed and a loss of principal may be caused. All the gains and losses accrued to the trust assets will be attributable to the investors.
- Investment trusts are not deposits.

### Major factors to cause fluctuation of NAV per unit:

Stock Price Volatility (Price Volatility Risks, Credit Risks)	Stock price changes based on the political and economic conditions, operating results of the issuer, and market supply and demand for the security. If the issuer becomes operationally distressed or goes bankrupt, all or part of invested amount might not be returned. If the price of stocks included in the trust assets falls, the NAV per unit may fall below the invested amount.
Other risks	When the trust assets of the Fund are invested in money market instruments such as call loans and/or certificates of deposit, losses may accrue due to default of the issuers of such instruments (the Credit Risk). This may cause the NAV per unit to decline.

\*The factors to cause fluctuation of NAV per unit are not limited to those mentioned above.

### Additional Considerations

- The provisions stipulated in Article 37-6 of the Financial Instruments and Exchange Act (so-called the “cooling-off period”) is not applicable to the investment to the Fund.

### Risk Management System

- Based on the Investment Risk Management Policy set by the Board of Directors, the departments or committees in charge at the Management Company, which are independent from the fund management departments, will manage the risks by monitoring and overseeing, directly or indirectly, the fund management departments.

## Additional Items

- Points to note in relation to fluctuations of NAV per unit

The Fund aims to match the rate of change of NAV per unit of the Fund to that of Nikkei 225. However, we cannot guarantee that movements of NAV per unit will be exactly identical to those of the index for the following reasons:

- (a) We cannot make composition ratio of individual stocks in the Fund to be identically the same as the Index in terms of total market capitalization.
- (b) The Fund may incur expenses including management fees (trust fees), brokerage commissions, etc.

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- (c) The stock prices used for trade execution could differ from those used for NAV calculation.
- (d) The stock prices used for calculation of the Index could differ from those used for NAV calculation.
- (e) The movement of index future price could differ from that of the Index (when index future is utilized).
- (f) The impact of minimum trading amount of stocks or index futures (when index future is utilized).
- (g) The impact of trade restrictions due to low liquidity of stocks or index futures (when index future is utilized).
- (h) The impact of the replacement of stocks included in the Index or the change of Index calculation methods.
- (i) The accrual of cash position in the trust assets, which arises from additional subscriptions, dividends received, etc.

## **Reference Information**

<English translation of this section is omitted. Please kindly refer to the official Japanese Delivery Prospectus for this section.>

## **Past Performance**

<English translation of this section is omitted. Please kindly refer to the official Japanese Delivery Prospectus for this section.>



## Procedures, Fees and Others

### Application Details

Subscription Basket	<p>Application may be made by “Subscribing Basket at the time of subscription”. “Subscribing Basket at the time of subscription” means the basket composed of the stocks included in Nikkei 225 in the ratio designated by the Management Company as equivalent to the component ratio of the stocks included in Nikkei 225.</p> <p>The number of units of the Fund that may be subscribed for one (1) Subscribing Basket at the time of subscription shall be such number that are designated by the Management Company based on the number obtained by dividing the value of Subscription Basket at the time of subscription by NAV per unit as of the date on which application for subscription is accepted, which shall be minimum of 1 unit.</p>
Determination of Subscribing Baskets	<ul style="list-style-type: none"> <li>■ The Management Company will determine the Subscribing Basket at the time of subscription more than 3 business days before the application day for which such Subscription Basket at the time of subscription is applied.</li> <li>■ The Management Company will post Subscription Basket at the time of subscription at <a href="http://etf.daiwa-am.co.jp">http://etf.daiwa-am.co.jp</a> each day on which application is accepted.</li> </ul>
Subscription Price	The NAV per unit as of the day on which a subscription is accepted (The NAV per unit for 1 unit).
Subscription Method	Subscription by delivering of stocks
Subscription Payment	-
Redemption Request	Redemption for cash will not be accepted
Exchange Request	Units may be exchanged for stocks
Number of Units for Exchange	Integral multiple of units determined by the Management Company
Exchange Price	The NAV per unit as of the day on which the exchange request is accepted (The NAV per unit for 1 unit).
Exchange Payment	-
Non-Acceptance Days of Subscription or Exchange	<p>In general, subscription application will be not accepted on the following days:</p> <ol style="list-style-type: none"> <li>1. For the period of three (3) business days from one (1) business day prior to the ex-dividend or ex-right for any Nikkei 225 component stocks;</li> <li>2. For the period of six (6) business days from two (2) business days prior to which the Nikkei 225 component stocks are changed or the change of the total number of Nikkei 225 component stocks due to capital increase or capital decrease;</li> <li>3. For the period of five (5) business days from four (4) business days prior to the last day of any calculation period of the Fund (or, if such day is not a business day, the period of six (6) business days from five (5) business days prior to the last day of the calculation period of the Fund); and</li> <li>4. In addition to 1 to 3 above, any time the Management Company determines that unavoidable circumstances occur that prevent it from making investments in accordance with the investment policy, provided, however, that the Management Company may accept application for subscription at its sole discretion for the periods falling on the items 1 to 3 above.</li> </ol> <p>In general, exchange will be not accepted on the following days:</p> <ol style="list-style-type: none"> <li>1. For the period of one (1) business day prior to the ex-dividend or ex-right for any Nikkei 225 component stocks;</li> <li>2. For the period of six (6) business days two (2) business days prior to the to</li> </ol>

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	<p>which the Nikkei 225 component stocks are changed or the change of the divisor due to capital increase or capital decrease;</p> <p>3. For the period of five (5) business days from four (4) business days prior to the last day of any calculation period of the Fund (or, if such day is not a business day, the period of six (6) business days from five (5) business days prior to the last day of the calculation period of the Fund); and</p> <p>4. In addition to 1 to 3 above, any time the Management Company determines that unavoidable circumstances occur that prevent it from making investments in accordance with the investment policy.</p> <p>provided, however, that the Management Company may accept application for exchange at its sole discretion for the periods falling on the items 1 to 3 above.</p>
Subscription Deadline	Subscription application shall be accepted (i.e., the application procedures shall be completed) by the Distributor by 3:00pm, and the next business day thereof shall be the acceptance date.
Subscription Period	From October 4, 2018 to April 3, 2019 The subscription period can be renewed by filing updated securities registration statement before the expiration of the period as mentioned above.
Exchange for cash limits	-
Suspension or Cancellation of Acceptance of Application for Subscription or Exchange	The Management Company may suspend and/or cancel application for subscription or exchange in the event unavoidable circumstances including suspension of trade at financial instrument exchanges.
Trust Term	Unlimited (commenced from July 9, 2001)
Early Termination	<ul style="list-style-type: none"> <li>● If the Units are delisted from all the financial instruments exchange on which they are listed or if the Nikkei 225 is discontinued, the Trust Agreement shall be terminated (early termination) upon agreement with the Trustee.</li> <li>● The Management Company may terminate the Trust Agreement (early termination) after confirming the intention of the unitholders in advance and upon agreement with the Trustee if. <ul style="list-style-type: none"> <li>- the number of units of the Fund falls below 200,000;</li> <li>- the Management Company considers the early termination is beneficial to the unitholders; and</li> <li>- an unavoidable circumstance occurs.</li> </ul> </li> </ul>
Accounting Day	10th of July of each year
Distribution	Dividends are paid once a year, in accordance with the distribution policy
Maximum Trust Amount	Equivalent to 5 trillion JPY in stock and cash
Public Notification	Public notification will be made electronically, and posted on the website ( <a href="http://www.daiwa-am.co.jp">http://www.daiwa-am.co.jp</a> ).
Investment Reports	-
Tax Treatment	<p>The Fund is treated as a Special Equity Investment Trust.</p> <p>Dividend deduction and exclusion from revenue may be applicable.</p> <p>*The above is as of end of July 2018 and, upon amendment of taxation system, shall be changed.</p>

## Expenses and Taxes of the Fund

### Expense of the Fund

Fees directly charged to the investors						
Subscription Commission	Determined by the Distributor	Subscription Commission is a consideration for explanation of products, provision of product information and investment information, and execution of application at the time of the subscription of the Fund				
Redemption Fee	Nil					
Exchange Commission	Determined by the Distribution	Exchange Commission is a consideration for administrative procedures for exchange of units of the Fund				
Fees indirectly charged to the investors						
Management Fee (Trust Fee)	<p>Management fees (trust fees) are paid out of the Fund's assets at the end of first 6 months of the calculation period, the end of each calculation period or at the time of Trust's termination.</p> <p>Trust fee is calculated daily as sum of 1 and 2 as shown below during the holding period:</p> <p>1. the amount obtained by multiplying the total net assets of the trust assets by the ratio up to 0.1728% per annum (0.16% before tax) (which is 0.1728% per annum (0.16% before tax) as of the date hereof). Please see below for the manner of split between the Management Company and the Trustee.</p> <p>&lt;Split between the Management Company and the Trustee &gt; (without tax)</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>The Management Company</th> <th>The Trustee</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0.09% per annum</td> <td style="text-align: center;">0.07% per annum</td> </tr> </tbody> </table> <p>2. the amount obtained by multiplying lending charges due to lending of stocks held in the trust assets by up to 54% (50% before tax).</p> <ul style="list-style-type: none"> <li>● Management fee payable to the Management Company is a consideration for the management of the Fund, research, instructions to the Trustee, calculation of net asset value per unit, and preparation of prospectus.</li> <li>● Management fee payable to the Trustee is a consideration for the custody of the assets under management and execution of instructions by the Management Company.</li> </ul> <p>Please see below for the manner of split of Management Fee between the Management Company and the Trustee.</p>		The Management Company	The Trustee	0.09% per annum	0.07% per annum
The Management Company	The Trustee					
0.09% per annum	0.07% per annum					
Other Expenses and Brokerage Commissions**	<ul style="list-style-type: none"> <li>● Fund Listing Expenses and Annual Fees for Use of Nikkei 225 Trademarks with tax levied on them can be borne by the unitholders, and can be paid from the trust assets.</li> </ul> <p>Percentage of the total of these charges which shall be paid from the trust assets in each calculation period shall not exceed 0.0648% (0.06% before taxes) of the Fund's total net assets.</p> <p>※ As of the date hereof, usage fees of trademark of the Index are the amount obtained by multiplying the total net asset of the trust assets by up to 0.027% (0.025% before tax) per annum</p>					

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	<ul style="list-style-type: none"> <li>● Commissions associated with securities transactions (including brokerage commissions on trade of securities, fees for future transactions and option transactions) and auditing fees shall be charged to the trust assets.</li> </ul>
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\*Consumption tax will be added

\*\*As expenses for brokerage commissions on trade of securities, etc. shall vary depending on circumstances, specific rate of fees or the maximum amounts thereof cannot be disclosed in advance.

※Please inquire the Distributor of the details of subscription commissions and exchange commissions.

※The total amount of all expenses shall not be disclosed since the amount shall vary depending upon the factors including the length of holding period.

## Tax Treatment

- Tax Treatment is applied at the times listed below:
- The following chart represents tax rates on individual investors at the time of tax withholding. The tax rate may differ according to the taxation method.

Time	Items	Tax
Sales	Income tax and local tax	Taxed as capital gains: 20.315% of sales proceeds
Exchange	Income tax and local tax	Taxed as capital gains: 20.315% of exchange proceeds
Distribution	Income tax and local tax	Taxed as dividend income: 20.315% on income distribution

- The above chart is as of end of July 2018 and tax rates may change in the event that tax laws are revised.
- The above description does not apply to Japanese corporations.
- We recommend that investors consult with a tax specialists for details of tax treatment.