C. SUMMARY OF OUR ARTICLES OF INCORPORATION AND JAPAN CORPORATION LAW

This section sets out a summary of certain provisions of our Articles, the Japan Companies Act and certain other Japan laws and policies that may be relevant to our Company and investors. As the information contained below is in summary form, it does not purport to contain all of the information that may be important to our potential investors. This section should be read in conjunction with "B. Key Japan Legal and Regulatory Matters", which summarises the Japan legal and regulatory provisions which, in our Directors' opinion, are considered more material to our Shareholders and investors.

Certain provisions under the Japan Companies Act have been amended in June 2014 and these amendments (the "*JCA Amendments*") will take effect on 1 May 2015.

1. BACKGROUND

Our Company was incorporated in Japan as a stock company* (株式会社) on 10 January 2013. Our Articles of Incorporation comprise our Company's constitution. The provisions normally set out in the articles of association of a Hong Kong-incorporated company are generally either contained in a Japanese company's articles of incorporation or stipulated in the Japan Companies Act.

Our Articles were executed by the incorporator of our Company and certified by a notary public on the date of our incorporation. Our Articles have been amended from time to time. The current Articles were last amended on 16 March 2015 and will become effective on the Listing Date.

2. OUR CORPORATE MATTERS

(a) Objects of our Company

Under our Articles:

Our Articles set out detailed and extensive, though non-exhaustive, lists of the purposes for which our Company was formed. Our Articles also allow our Company to undertake other business activities that are not explicitly stated in our Articles, provided that such activities are ancillary to the purposes of our Company stated in our Articles.

(b) Form of Company

Under our Articles:

Our Company is a stock company* (株式会社) with three committees, being our Audit Committee, Remuneration Committee and Nomination Committee.

Under the Japan Companies Act:

Companies are categorised into stock companies* (株式会社) and partnership-type companies* (持分会社). A partnership-type company is a generic concept that embraces so-called personal companies* (人的会社) (that is, companies where there are strong personal connections between its members and where a high degree of flexibility in structuring corporate governance within the organisation is recognised), such as a general partnership company* (合名会社), a limited partnership company* (合資会社) and a limited liability company* (合同会社).

Companies are also categorised into public or non-public companies, and large or other companies. A public company* (公開会社) is defined as a company whose articles of incorporation do not require the approval of the company for the transfer of any share of one or more classes of the company's stock. On the other hand, a non-public company* (株式譲渡制限会社) is a company where regarding each class of stock issued by it, transfer of any share is restricted under the articles of incorporation. Under our Articles, transfer of our Shares are free from restriction or limitation and do not require the approval of our Directors and Shareholders. Our Company is therefore categorised as a public company. Companies whose balance sheet for the most recent fiscal year shows a capital of ¥500 million or more, or total liabilities of ¥20 billion or more are defined as large companies* (大会社). There are certain differences in governance between large companies and other companies. Our Company is not a large company* (大会社).

Under the Japan Companies Act, a company may select several types of corporate governance structures. Our Company is a company with three committees* (委員会設置会社). Under the JCA Amendments, companies with three committees* (委員会設置会社) will be renamed to companies with nomination committee etc.* (指名委員会等設置会社). There is no change to the provisions governing this type of companies under the JCA Amendments in general.

(c) Share capital, share certificates and SARs

Under our Articles:

The total number of Shares authorised by our Shareholders to be issued of our Company under our Articles is 2,000,000,000 Shares. Our Company has abolished the unit share system (as described below). Our Company issues share certificates and has only one class of Shares (being common Shares* (普通株式)). Our Company is a share certificate issuing company* (株券発行会社).

Under our Articles, transfers of our Shares are free from restriction or limitation and do not require the approval of our Directors and Shareholders. Transfers of Shares are subject to certain procedures and requirements set out in our Articles. See "B. Key Japan Legal and Regulatory Matters — A. Bearer Shares" for details. Our Articles provide that the Terms of SARs (as defined below) must be determined by an ordinary resolution in a general meeting, subject to certain exceptions summarised in "— SARs" in this section below.

Under the Japan Companies Act:

Share capital

The share capital of a company is divided into shares. The amount of core capital* (資本金) is the amount paid in by those who are to become shareholders at the time of the establishment of the company, or the issue of shares. Up to half of this amount is not required to be capitalised, but this amount has to be kept as share premium* (資本準備金). The amount of the share capital is required to be registered with the relevant authorities in Japan.

Share certificates

The Japan Companies Act defines a "*share certificate issuing company*" as a company the articles of incorporation of which have provisions to the effect that a share certificate representing its shares (or, in the case of a company with class shares, shares of all classes) shall be issued. Our Company is categorised as a share certificate issuing company* (株券発行会社).

A company which does not have provisions in its articles of incorporation to issue share certificates is a non-share certificate issuing company* (株券不発行会社).

Transfer of Shares

In principle, shares are freely transferable, but companies may place a restriction on transfer of shares, for example, by subjecting such transfer to shareholders or board approval. Transfer can be restricted to all the shares, or to a specific class of shares. Under our Articles, there is no restriction on the transfer of our Shares.

Transfer of shares in a share certificate issuing company shall not become effective unless the share certificates representing such shares are physically delivered; however, this shall not apply to the transfer of shares arising out of the disposal of treasury stock* (自己株式). The subscriber for treasury stock* (自己株式) in a share certificate issuing company* (株券発行会社) shall become the shareholder of such shares on the day when the subscriber has paid consideration for such shares. Transfer of shares in a share certificate issuing company* (株券発行会社) shall not be perfected against the company unless the name and address of the person who acquires those shares is stated or recorded in the share register.

There is no limitation on the ownership of our Shares under our Articles and the Japan Companies Act.

Classes of Shares

The Japan Companies Act permits a company to issue shares with specified rights that are not associated with all shares. In order to issue classes of shares, the details and the number of such shares as can be issued need to be specified in the articles of incorporation. Our Company is permitted to issue only one class of Shares, being common Shares* (普通株式).

Unit share system

Shareholders have, in principle, one vote per share. However, if a company adopts a unit share system, a vote is given not to each share, but to a unit of shares specified under its articles of incorporation. Under the Japan Companies Act, one unit of shares cannot exceed (i) 1,000 shares; and (ii) two-hundredth of the total number of issued shares of the relevant company. Shareholders who hold shares below a unit are entitled to require the company to repurchase these odd unit shares. Our Company does not adopt a unit share system.

SARs

The Japan Companies Act defines a SAR as a right by the exercise of which the holder is entitled to receive shares of the issuing company. SARs do not need to be combined with bonds. It is possible to grant SARs on their own as well as in combination with other financial products.

Japanese companies do not issue share options. Instead, under the Japan Companies Act, they are allowed to issue Share Acquisition Rights, or SARs, which entitle the holders to acquire shares against a company by exercising such right against it.

Unlike in other jurisdictions, Japanese companies conventionally do not have underlying share option scheme plans established for the purposes of setting out the basic terms of SARs (such as the maximum number of SARs that the directors or administrators are authorised to issue and the scope of the persons to whom the SARs may be issued) that will apply to all issues made under that plan. Instead, a Japanese company that issues SARs resolves the exact terms of the SARs by a resolution of the board of directors or shareholders each time it intends to issue SARs in accordance with the Japan Companies Act.

The terms of SARs to be determined by a shareholder resolution or board resolution (the "*Terms of SARs*") include the matters such as (i) the number of the SARs to be issued and the contents of the SARs (e.g., the number of shares to be granted upon the exercise of the SARs or the method for calculating such number, the exercise price of the SARs or the method for calculating such price, the exercise period and any restriction on the transfer of the SARs); (ii) the amount to be paid for subscribing for the SARs or the method for calculating such amount; (iii) the date on which the SARs are to be allotted; and (iv) the date of payment for the subscription, if any). Depending on the situation of the issue of SARs, the Japan Companies Act determines whether such resolution is to be made at a board meeting or at a shareholders' general meeting. In general, for a public company* (公開会社) (which our Company is one), the board of directors may, in general, authorise the issue of SARs subject to the following exceptions (which are more common but non-exhaustive):

(i) if SARs are issued in a gratuitous manner and they comprise an *especially favourable* term to the subscriber, or if the SARs are issued at a price *especially favourable* to the subscriber, a special resolution in a general meeting is required and the board of directors must explain why the SARs need to be issued in such a manner in such general meeting. According to a case decided by the Tokyo District Court on 30 June

2006, whether or not the issue of SARs is made at an "*especially favourable price/ especially favourable conditions*" is determined based on the price of the SARs at the time of issue, calculated pursuant to the option pricing theory and considering factors such as the market price of the shares, exercise price of the SARs, exercise period of the SARs, interest rate, and volatility of the price of the shares (the "*Fair Option Price*"). When the amount to be paid in upon issuance (or substantive consideration for SARs when they are issued without consideration) is significantly below the Fair Option Price, then in principle, the price or condition of the SARs is interpreted to be "*especially favourable*" SARs which may be issued to the existing shareholders with or without consideration. In such cases, shareholders are entitled to subscribe to the SARs in proportion to their shareholding; and

(ii) our Articles provide that the remuneration of our Directors and Executive Officers must be determined by our Remuneration Committee. Therefore, if SARs are being issued to our Directors or Executive Officers as part of their remuneration, a resolution of our Remuneration Committee is required in addition to the Board or Shareholders' resolution that determines the Terms of SARs.

In the case of our Company, our Articles provide that the Terms of SARs must be determined by an ordinary resolution in a general meeting, subject to exceptions (i) and (ii) above.

Since our incorporation, our Company has neither issued any SAR nor authorised or resolved to issue any SAR. There is no scheme or arrangement in respect of our Company or our subsidiaries that would otherwise be regulated by Chapter 17 of the Listing Rules upon Listing.

Our Company has no current intention to issue SARs. If we choose to do so upon Listing, we will comply with all applicable laws and regulations including Chapter 17 of the Listing Rules.

(d) Directors

(i) General power

Under our Articles and the Japan Companies Act:

Our Board of Directors shall (i) make decisions relating to important matters in connection with the execution of business operations; (ii) supervise our Directors and Executive Officers in the performance of their duties; and (iii) perform other duties as prescribed under our Articles and the Japan Companies Act.

It is mandatory for each stock company* (株式会社) to have a director. In companies with three committees* (委員会設置会社), there must be a board of directors consisting of at least three directors. Certain persons such as a juridical person may not become a director of a company. However, a public company* (公開会社) (which our Company is one) may not limit the qualifications of directors by requiring such directors to be one of its shareholders.

In companies with three committees* (委員会設置会社), directors, as a rule, do not execute the business of the company. The board of directors in those companies is intended to perform a supervisory role. The board of directors of a company with three committees* (委員会設置会社) has the power to, amongst others:

- determine the execution of the business of the company;
- supervise the carrying out of duties by executive officers; and
- appoint and dismiss executive officers.

Matters which fall within exclusive jurisdiction of the board of directors (decision-making in certain significant matters involving the execution of business) include the following:

- basic management policy;
- appointment and dismissal of executive officers;
- matters regarding interrelationship between executive officers including divisions of duties between executive officers, hierarchy of commands of executive officers;
- introduction of a system to ensure compliance of executive officers carrying out duties with the law and the articles of incorporation;
- matters related to general meetings such as the convocation thereof;
- matters related to corporate reorganisations such as mergers, business transfers, demergers and statutory share exchanges;
- approval of transactions that the directors or executive officers may have a conflict of interests in; and
- discharge of liabilities of managements, including directors, in accordance with the Japan Companies Act and its articles of incorporation.

(ii) Power to issue and allot Shares

Under our Articles and the Japan Companies Act:

Under the Japan Companies Act, when a Japanese company issues new shares and SARs (including convertible bonds), certain subscription requirements (the "*Subscription Requirements*") shall be determined. The Subscription Requirements include the number of shares or SARs (including convertible bonds) to be issued, price, payment due date and other matters prescribed under the Japan Companies Act.

Under our Articles, the Subscription Requirements of any new issue of Shares or SARs (including convertible bonds) must be determined by an ordinary resolution in a general meeting, provided however that the Subscription Requirements of the issue and allotment of Shares or SARs (including convertible bonds) at a price or term *especially favourable* to the allottees must be determined by a special resolution in a general meeting. Our Board may issue and allot the Shares or SARs once the Subscription Requirements have been determined and approved by an ordinary or special resolution (as the case may be) in a general meeting.

Our Articles further provide that (a) the total number of Shares authorised by our Shareholders to be issued is 2,000,000,000 Shares; and (b) our Shareholders may entrust the power to determine the Subscription Requirements of any new issue of Shares or SARs (including convertible bonds) to our Board by way of a general mandate. The authority of the said general mandate must be approved with an ordinary resolution (or a special resolution, if such mandate specifically provides for an allotment at a price or term *especially favourable*) in a general meeting, which resolution shall prescribe, among others, the maximum number of Shares and SARs to be issued and allotted under the general mandate and the minimum price to be paid by the allottees. Under our Articles, the general mandate shall not be effective for more than one year from the date of the resolution approving the same. As advised by our Japan Legal Adviser, our Issuing Mandate was duly approved by our Shareholders at our extraordinary general meeting held on 16 March 2015.

The Articles and Japan Companies Act provisions described above apply equally to the disposal of our treasury stock* (自己株式), if any.

Issuing mandate

On 16 March 2015, our Board has been granted with the Issuing Mandate to issue, allot and deal in our Shares, the details of which are set out in "Appendix VI — Statutory and General Information — A. Further Information about our Company — 5. Extraordinary General Meeting held on 16 March 2015" in the Prospectus. Under our Articles and the Japan Companies Act, the Issuing Mandate is only enforceable when:

(i) our total number of issued Shares will not exceed 2,000,000,000 Shares, which is the total number of Shares authorised to be issued by our Company, as a result of the issue and allotment made under the Issuing Mandate; and

(ii) the allotments under the Issuing Mandate are not made at a price or term *especially favourable* to the allottees, in which case a special resolution in a general meeting is required.

For the avoidance of doubt, the Issuing Mandate grants power to our Board to issue, allot and deal with Shares only and does not grant authority to issue SARs and dispose of treasury stock* (自己株式). Our Japan Legal Adviser has confirmed that the Shareholders' resolution in our extraordinary general meeting held on 16 March 2015 approving the Issuing Mandate contained all the required information prescribed under our Articles. Our Directors have undertaken to the Stock Exchange that they will not exercise the Issuing Mandate if any of conditions (i) to (ii) set out above has not been fulfilled, in which case they will seek specific approval from our Shareholders in order to issue and allot new Shares.

As to the term "*especially favourable*" referred to in (ii) above, our Japan Legal Adviser has confirmed that there is no clear definition under Japan law as to the circumstances where the terms of an allotment may be deemed as *especially favourable* to the proposed allottees. Under the internal rules of The Japan Securities Dealers Association, an allotment may be taken as *especially favourable* to the proposed allottees when less than 90% of the market value of the Shares so allotted is set as consideration from the proposed allottees. Our Board may from time to time appoint an independent expert to determine whether an allotment is *especially favourable.*

(iii) Power to dispose of the assets of our Company or any subsidiary

Under the Japan Companies Act:

An Executive Officer may be authorised by our Board of Directors to determine and execute the disposal of our Company's assets unless such disposal constitutes transfer of material business for which Shareholders' approval is required. Neither our Directors nor our Board of the Directors of our Company have the power to dispose of any assets of any subsidiary of our Company. In addition, our Board of Directors (or an Executive Officer authorised by our Board) has the power to dispose of the shares of any subsidiary of our Company.

Under the JCA Amendments, Shareholders' approval is required if a company disposes such number of shares in its subsidiary provided that (i) the book value of such shares constitutes more than 20% of the total asset value of the company; and (ii) as a result of such disposal, the company is no longer entitled to exercise over 50% of the voting rights in such subsidiary.

(iv) Compensation or payment to Directors for loss of office

Under the Japan Companies Act:

A Director dismissed by an ordinary resolution of our Shareholders shall be entitled to demand damages arising from the dismissal from our Company, except in cases where there are justifiable grounds for such dismissal.

(v) Loans and the giving of security for loans to Directors

Under our Articles:

There are provisions in our Articles of Incorporation prohibiting the making of loans or provision of security for loans to our Directors unless such loans or security for loans are permitted under the Japan Companies Act and the Companies Ordinance (as if our Company were a public company incorporated in Hong Kong).

Under the Japan Companies Act:

Under the Japan Companies Act, loans and the giving of securities for loans to directors are not prohibited so long as the material information regarding the relevant transaction is disclosed to the board of directors to consider and, if thought fit, approve the transaction.

(vi) Financial assistance to purchase Shares of our Company

Under our Articles:

Our Company may not provide financial assistance to another person for the purpose of, or in connection with, a purchase made or to be made by any person of any Shares in our Company, unless permitted under the Japan Companies Act and the Companies Ordinance (as if our Company were a listed company incorporated in Hong Kong).

Under the Japan Companies Act:

There is no specific restriction under the Japan Companies Act on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. However, the following general provisions apply:

(i) if a company's act of financial assistance is deemed to be a provisions of benefit in connection with the exercise of shareholders' right, the directors and executive officers involved in such transaction may be subject to criminal liability and jointly and severally liable to the company for an amount equivalent to the value of such benefit;

(ii) if a company's act of financial assistance is deemed to be a fake payment of subscription monies, the relevant issue and allotment of new shares may be deemed as invalid and the subscribers (and the directors, under the JCA Amendments) involved in such transaction may be jointly and severally liable to the company for an amount equivalent to the subscription monies involved;

(iii) if a company's act of financial assistance is deemed to be an acquisition of treasury stock* (自己株式) by the company for the account of the company, the regulations concerning the repurchase of its shares (as described in "Key Japan Legal and Regulatory Matters — D. Capital Structure — Share Repurchases") apply to that act. Although there are no established rules as to what constitutes an "*acquisition for the account of the company*" and it totally depends on the situation, an example for the case where a company's financial assistance to another person is likely to be deemed as "*acquisition for the account of the company*" is the case where all of the followings are applicable:

(a) the company is aware that the financial assistance is provided for the purpose of the receiver's purchase of, or subscription for, its own or its holding company's shares;

(b) the company has no good reason to donate such financial assistance to such receiver;

(c) even though such financial assistance is provided in a form of "*loan*", there is no actual plan for the company to recover such loaned money; and

(d) any profit or loss accrued from purchase and sale of the shares purchased by the said receiver or dividend from such share belongs to the company (not the receiver).

(vii) Disclosure of interests in contracts with our Company or any subsidiary

Under our Articles:

A Director shall not vote on any resolution of our Board of Directors approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates (as defined under the Listing Rules) has a special interest (as interpreted under the Japan Companies Act) or material interest (as explained under the Listing Rules) nor shall he/she be counted towards to quorum present at the meeting, unless otherwise permitted under the Japan Companies Act and the Listing Rules.

Under the Japan Companies Act:

If a Director has a conflict of interest in any contract to be entered into by our Company, the Director must disclose all material information regarding the relevant transaction to our Board of Directors to consider and, if thought fit, approve the transaction. However, there are no specific provisions concerning the disclosure of any interest by a Director in a contract to be entered into by a subsidiary of our Company.

(viii) Remuneration

Under our Articles:

Financial benefits of our Directors received from our Company as consideration for the execution of duties, including remuneration and bonuses shall be determined by our Remuneration Committee.

(ix) Composition of the Board of Directors

Under our Articles:

Our Company must have no more than ten Directors. The number and composition of the Board of Directors shall at all times comply with the requirements under the Japan Companies Act and the Listing Rules (including the requirements for Independent Non-executive Directors).

Under the Japan Companies Act:

It is mandatory for each company to have a director. Public companies* (公開会社) (which our Company is one), companies with three committees* (委員会設置会社) (which our Company is one), and companies with a board of statutory auditors* (監査役) must have a board of directors. In these companies, there must be at least three directors.

(x) Appointment of Directors

Under our Articles:

Our Directors must be elected in a general meeting. Resolutions for the election of Directors shall be passed by majority vote of Shareholders present at the general meeting where the Shareholders holding one-third or more of the votes of the Shareholders entitled to vote are present. Directors shall not be voted by cumulative voting.

Under the Japan Companies Act:

For companies with three committees* (委員会設置会社) (which our Company is one), directors must be appointed in the general meetings. A majority vote of the shareholders present in a general meeting where shareholders representing over one-third or more of the votes need to be present is required. When the appointment of two or more directors is on the agenda, shareholders may propose resorting to the cumulative voting system, but this can be prohibited under the articles of incorporation. We have prohibited the cumulative voting system in our Articles.

(xi) Term of office

Under our Articles:

The term of office of each Director shall expire at the close of the AGM relating to the most recent business year ending within one year following the election of such Director. The term of office of a Director elected to fill a casual vacancy shall conclude simultaneously with the conclusion of the term of office of the other current Directors.

Under the Japan Companies Act:

For companies with three committees* (委員会設置会社) (which our Company is one), the term of office of a director terminates at the close of the general meeting of shareholders relating to the last fiscal year ending within one year from the election of the director. However, such term may be shortened by the articles of incorporation or a resolution of a general meeting of shareholders. We have not shortened such term in our Articles.

Under the Japan Companies Act, a causal vacancy of directors must, unless under certain limited circumstances, be filled with shareholders' approval. See "A. Waivers - B. Additional Waivers - Articles of Incorporation - Casual Vacancy" for details.

(xii) Removal of Directors

Under our Articles:

Resolutions for the dismissal of Director(s) shall be passed by an ordinary resolution of a general meeting before the expiration of the period of duty of such dismissed Director(s), regardless of the duty and capacity of such Director(s) in our Company.

Under the Japan Companies Act:

Directors can be dismissed any time in the general meeting by the majority votes of the shareholders (or a stricter resolution requirement prescribed under the articles of incorporation) present in a general meeting where shareholders holding the majority of all voting rights of the shareholders are present (or a quorum requirement prescribed under articles of incorporation provided that the quorum requirement shall at all times be more than one-third of all voting rights of the shareholders).

There is no specific provision under our Articles and the Japan Companies Act as to the retirement or non-retirement of our Directors under an age limit.

(xiii) Written service contracts

Under our Articles:

Our Company must enter into a written service contract with each Director. Any claim under such service contract shall not be affected whatsoever by the dismissal of the Director by the Shareholders.

(xiv) Qualification Shares

Under our Articles:

There is no specific provision in our Articles relating to qualification Shares. In order to be appointed as a Director, our Directors are not required to hold any Share in our Company.

Under the Japan Companies Act:

Public companies* (公開会社) (which our Company is one) are prohibited to have qualification shares.

(xv) Proceedings of a Directors' meeting

Under our Articles:

The Chairman of our Board of Directors (elected in advance by our Board of Directors) shall convene a meeting of our Board of Directors and shall act as the chairperson of the meeting. Notice of the convocation of a meeting of our Board of Directors shall be sent to each Director at least three days prior to the scheduled date of such meeting. However, the notice requirement can be waived with the unanimous consent of all Directors or shortened in case of emergency.

A resolution of our Board of Directors shall be made by a majority of Directors present at a meeting where the majority of Directors entitled to vote are present. A Director shall not vote on any resolution of our Board of Directors approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates (as defined under the Listing Rules) has a special interest (as interpreted under the Japan Companies Act) or material interest (as explained under the Listing Rules) nor shall he/she be counted towards to quorum present at the meeting, unless otherwise permitted under the Japan Companies Act and the Listing Rules.

(xvi) Exemption of Directors from liabilities

Under our Articles and the Japan Companies Act:

To the extent allowed under all applicable laws and regulations, our Company may discharge our Directors from liabilities owed to our Company by way of a resolution passed in a meeting of our Board of Directors, or our Company may enter into an agreement with an external Director*

(社外取締役) to the effect that his or her liability for damages shall be limited except where they have been grossly negligent or have acted intentionally. If our Company enters into an indemnity with an external Director* (社外取締役) (being a director who has never been a representative director* (代表取締役), an executive director, an executive officer or an employee of our Group) then the maximum cap on his liability must be the amount provided under the prevailing applicable laws and regulations (which is currently two times of his annual remuneration).

(xvii) Directors' duties

Under the Japan Companies Act:

There is a mandate relationship between our Company and our Directors. As such, Directors have a duty to act as good managers. Directors owe a fiduciary duty vis-a-vis the company: i.e., the duty to comply with the law, our Articles, and the resolutions of our Shareholders, and loyally carry out their duties.

(xviii) Retirement of Directors

There is no specific provision under our Articles and the Japan Companies Act as to the retirement or non-retirement of our Directors under an age limit.

(e) Executive Officers

(i) General

Under the Japan Companies Act:

In companies with three committees* (委員会設置会社), instead of a representative director* (代表取締役), there are executive officers who are appointed by the board of directors, but not necessarily from among the directors, and chief executive officers who are appointed by the board of directors from among executive officers to represent the company. There is a mandate relationship between the company and executive officers. Executive officers make decisions on the matters delegated to them by the decision of the board of directors, and execute the business of the company.

(ii) Number of composition

Under our Articles:

Our Company must not appoint more than ten Executive Officers.

Under the Japan Companies Act:

A company with three committees* (委員会設置会社) must appoint at least one executive officer.

(iii) Duties of Executive Officers

Under the Japan Companies Act:

Our Executive Officers shall perform the following duties:

(a) deciding on the execution of the operations of our Company that were delegated to our Executive Officers by our Board of Directors pursuant to the Japan Companies Act; and

(b) the execution of the operations of our Company.

(iv) Appointment of Executive Officers

Under our Articles:

Our Executive Officers shall be elected by a resolution of our Board of Directors.

Under the Japan Companies Act:

Same as above.

(v) Term of office

Under our Articles:

The term of office of our Executive Officers shall expire at the close of the first meeting of our Board of Directors convened following the close of our AGM relating to the most recent business year within one year following their appointment. The term of office of an Executive Officer elected in order to fill a casual vacancy of an Executive Officer shall conclude simultaneously with the conclusion of the term of office of the other current Executive Officers.

Under the Japan Companies Act:

Same as above, unless shortened by the articles of incorporation.

(vi) Chief Executive Officer

Under our Articles:

Our Chief Executive Officer shall be appointed by the resolution of our Board of Directors. Our Company may also have, but not required to have, through resolution by our Board of Directors, one president Executive Officer, several members of vice president Executive Officer(s), senior managing Executive Officer(s) and managing Executive Officer(s). The division of duties, command system and other matters concerning relationships among Executive Officers shall be determined by our Board of Directors.

Under the Japan Companies Act:

Under the Japan Companies Act, our Chief Executive Officer is the legal representative of our Company with the authority to sign and effect agreements for and on behalf of our Company.

(vii) Remuneration

Under our Articles:

The remuneration of our Executive Officers shall be determined by our Remuneration Committee. If an Executive Officer concurrently serves as an employee of our Company, including as a manager, remuneration arising out of such concurrent post shall be determined by our Remuneration Committee as well.

(viii) Borrowing power

Under the Japan Companies Act:

An Executive Officer may be authorised by our Board of Directors to determine and execute borrowings, including borrowings of a large amount.

(ix) Exemption of Executive Officers from liabilities

Under our Articles and the Japan Companies Act:

Our Company may exempt current or past Executive Officers from their liabilities for negligence in their duties under the Japan Companies Act by way of resolution of our Board of Directors to the extent allowed under the Japan Companies Act, except where they have been grossly negligent or have acted intentionally.

(f) Alternation of our Articles

Under our Articles and the Japan Companies Act:

Our Company may amend our Articles by a special resolution (or a stricter resolution for certain items) of our Shareholders in a general meeting.

(g) Alternation of capital

Under our Articles and the Japan Companies Act:

Increase and reduction of share capital

The issued capital may be increased at the time of the issuance of shares and may be reduced by a special resolution of Shareholders in a general meeting. However, where the share capital is reduced in order to cover the deficit, an ordinary resolution at the AGM will suffice. When reducing the share capital, a procedure to protect the interests of creditors needs to be followed. The company must publicise the proposed reduction and inform creditors of their entitlement to an objection within a fixed period of no less than one month in the official gazette. The company also must individually notify known creditors, but this can be exempted under certain circumstances.

Splits, gratuitous allocations and consolidations

A company may at any time split shares on issue into a greater number by a resolution of the board of directors. Under the Japan Companies Act, a company may also allot any class of shares to the company's existing shareholders without any additional contribution by resolution of the board of directors (i.e. gratuitous allocation); provided that any such gratuitous allocation will not accrue to any treasury stock* (自己株式). A company may at any time also consolidate its shares into a smaller number of shares by a special resolution in a general meeting of shareholders.

(h) Variation of rights of existing shares or classes of shares

Under our Articles and the Japan Companies Act:

Our Company is required to amend our Articles by way of special resolution in order to change the rights of our existing common Shares* (普通株式) or to issue new classes of shares.

(i) Voting / quorum requirements

Under our Articles:

Ordinary resolutions

Unless otherwise provided under applicable laws and regulations or by our Articles, ordinary resolutions in a general meeting shall be passed by a majority of the voting rights of the Shareholders present and entitled to vote at the relevant meeting, where the Shareholders holding majority of the votes of Shareholders entitled to vote are present.

Special resolutions

Unless otherwise provided under applicable laws and regulations or by our Articles, special resolutions at a general meeting shall be passed by two-third of the voting rights of the Shareholders present and entitled to vote at the relevant meeting, where the Shareholders holding one-third of the votes of Shareholders entitled to vote are present.

Under the Japan Companies Act:

In an ordinary resolution, the resolution shall, unless otherwise provided in the articles of incorporation, be passed by a majority of the voting rights of the shareholders present and entitled to vote at the relevant meeting, where the shareholders holding majority of the votes of shareholders entitled to vote are present. Quorum can be set by the articles of incorporation. In a resolution to appoint or dismiss directors or statutory auditors* (監査役), among others, even by the articles of incorporation, the quorum cannot be set below one-third. In a special resolution, the resolution shall be made by a majority of two-third (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of the shareholders present at the meeting where the shareholders holding a majority (where a proportion of one third or more is provided for in the articles of incorporation, that proportion or more) of the votes of the shareholders entitled to exercise their votes at the shareholders' meeting are present. Quorum can be set by the articles of incorporation but cannot be set below one-third.

The requirements under the Japan Companies Act in respect of the requirements relating to ordinary and special resolutions have been modified by operation of our Articles as described above. Certain matters require a resolution requirement stricter than special resolutions. See " - 4. Transactions Requiring Shareholder Approval" in this section below for details.

(j) Voting rights, right to demand a poll and right to speak

Under our Articles:

Our Company has not adopted the unit share system so that each Share, in general, entitles its registered owner one vote in our general meetings. Our Articles provide that our Company must count the number of voting rights actually voted by each Shareholder (or their respective proxy and/or representative) attending the general meeting. As such, voting at our general meetings is effectively conducted by way of poll and voting by show of hand is not possible under our Articles.

Our Company has only one class of Share and does not issue Shares which do not carry voting rights.

Under the Japan Companies Act:

Shareholders (excluding (i) a shareholder who is prescribed as an entity in a relationship that may allow the company to have substantial control of such entity through the holding of one quarter or more of the votes of all shareholders of such entity or other reasons; (ii) the company itself in respect of the treasury stock* (自己株式); (iii) a shareholder who has less than one share unit; (iv) a class shareholder whose class shares do not carry voting rights and (v) a shareholder whose shares are to be repurchased pursuant to Paragraph 3 of article 140, paragraph 4 of article 160 and paragraph 2 of article 175 of the Japan Companies Act) have one vote per share or one vote per unit (for those who have adopted the unit share system). The method of voting is not restricted, and the chairperson of a general meeting generally may decide the voting method, which may include a vote by a show of hands or a standing or a poll, unless a resolution to adopt another voting method is made at the general meeting.

Under the Japan Companies Act, shareholders of a Japanese company who are entitled to at least one vote at a general meeting have the right to speak at such general meeting. If any inquiries are made by the shareholders at a general meeting, the directors must answer such inquiries except where: (i) such inquiries are not relevant to any agenda items for such general meeting; (ii) the common interests of the shareholders and/or personal interests of other shareholders may be jeopardised by the answering of such inquiries (e.g. where the inquiries are related to confidential information of the company or personal information of the other shareholders); (iii) any research or investigation is required to answer such inquiries (provided that the directors may not decline answering such inquiries if such research or investigation can be conducted easily or the shareholders have given prior notice of such inquiries to the company which gives a reasonable period of time for the company to conduct such research or investigation); (iv) such inquiries are substantially the same inquiries as those which have already been made at such general meeting; or (v) the directors have other valid reasons for not answering to such inquiries (e.g. such inquiries are likely made for the purpose of sabotaging such general meeting).

(k) Shareholders' meetings

<u>*Under our Articles:*</u>

AGMs

Under our Articles, we are required to convene our AGM within three months after the day following 31 March, which is the last day of each financial year and despatch the convocation notice of our AGM (together with its accompanying documents) at least 21 days prior to the date thereof.

Extraordinary general meetings

An extraordinary general meeting can be convened wherever necessary. Convocation notice of an extraordinary general meeting must be despatched to the Shareholders at least 14 days prior to the date thereof.

Our Company will announce the date on which an AGM or extraordinary general meeting is intended to be held at least ten weeks prior to such date. Such announcement will be made at our Company's website at **www.ngch.co.jp** and the Stock Exchange's website at **www.hkexnews.hk**.

<u>*Under the Japan Companies Act:*</u>

There are two types of the shareholders' meeting: extraordinary general meeting and annual general meeting.

A company is required to convene an annual general meeting within three months after the end of each financial year and must despatch a convocation of the AGM at least 14 days before the meeting. Notice of convocation of a general meeting setting forth the time, place, purpose thereof and certain other matters set forth in the Japan Companies Act and relevant ordinances, together with business report* (事業報告) and financial results must be mailed to each shareholder having voting rights at least two weeks prior to the date set for such meeting. Such notice may be given to shareholders by electronic means, subject to the consent of the relevant shareholders. Further, certain items to be included in the business report* (事業報告) and notes to financial results may be provided on the company's website, rather than mailed directly to individual shareholders pursuant to the provisions of its articles of incorporation. Upon Listing, we will despatch our AGM convocation notice at least 21 days prior to the date thereof in compliance after Rule 13.46(2)(a) of the Listing Rules.

(l) Transfer of Shares

<u>*Under our Articles and the Japan Companies Act:*</u>

See "B. Key Japan Legal and Regulatory Matters - A. Bearer Shares".

(m) Power for our Company to purchase our own Shares

Under our Articles and the Japan Companies Act:

See "B. Key Japan Legal and Regulatory Matters - D. Capital Structure - Share Repurchases".

(n) Shares held by subsidiaries

Under the Japan Companies Act:

Subsidiaries may not acquire shares of their parent company, subject to certain exceptions such as acquisition through certain mergers and acquisitions transactions, acquisitions without consideration, and acquisitions as distribution of surplus from a company other than the parent company. When a subsidiary acquires shares of its parent company pursuant to such exceptions, it is not entitled to vote at any general meeting and is required to dispose of them at an appropriate time.

(o) Proxies

Under our Articles and the Japan Companies Act:

See "B. Key Japan Legal and Regulatory Matters - B. Shareholders' Meetings - Proxies and Corporate Representatives".

(p) Call of Shares and forfeiture of Shares

Under the Japan Companies Act:

Our Company cannot issue partly-paid Shares, and therefore, our Company cannot make a call upon the Shareholders to pay any money unpaid on the Shares held by them. A special resolution in a general meeting is required if our Company wishes to merge or conduct other structural changes to our Company that may entail the forfeiture of any Shares in our Company. In order to protect minority shareholders, the Japan Companies Act provides that in general, shareholders who object to such a special resolution are entitled to receive the fair market value of such forfeited Shares from the relevant company.

(q) Inspection of Share Register

Under our Articles and the Japan Companies Act:

See "B. Key Japan Legal and Regulatory Matters - C. Shareholders' Rights - Inspection of our Share Register".

(r) Inspection of register of Directors

<u>*Under the Japan Companies Act:*</u>

There is no concept of a "*register of directors*" under Japan law. However, the name of each Director and Executive Officer are registered in the commercial register in accordance with the Japan Companies Act.

(s) Inspection of other corporate records

Accounting documents

Shareholders who have 3% (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) or more of the voting rights in the company, or of the issued shares of the company are entitled to inspect and make a copy of the accounting documents by giving reasons. The company is not entitled to refuse the request unless (i) the shareholder makes this request to pursue goals other than the investigation for the protection or exercise of his or her rights, (ii) the shareholder makes this request to obstruct the company's execution of business and to harm the common interests of shareholders, (iii) the shareholder is in a business substantially in competition with the company, or is involved in the business, (iv) the shareholder makes the request in order to report facts which he/she learns by inspecting or copying the account books or materials relating thereto to third parties for profit, or (v) the shareholder is a person who has reported facts which he/she has come to learn by inspecting or copying the account books or materials relating thereto to third parties for profit during the last two years.

If it is necessary in order to exercise the rights of a member of the parent company of a company , he/she (who has 3% or more of voting rights in the shares of such parent company) may, with the court's permission, make the request stated above with respect to account books or materials relating thereto of such company. In those cases, the reasons for the request shall be disclosed.

Commercial register

A company is required to register certain matters such as (i) the purpose of the company, (ii) its trade name; (iii) the location of the principal office of the company; (iv) its share capital; (v) the total number of shares authorised to be issued; (vi) the details of shares; (vii) the number of share unit (if any); (viii) the total number of issued shares; (ix) the name, address and business office of the administrator of the share register (if any), (x) the matters regarding SARs; (xi) the names of directors and executive officers; (xii) members of the audit, remuneration and nomination committees; (xiii) if the company is a company with a board of directors, a company with accounting advisors, a company with an accounting auditor, a company with statutory auditors, a company with a board of statutory auditors and/or a company with three committees, a statement to that effect and other relevant information , (xiv) if there are provisions in the articles of incorporation with regard to exemptions from liability of directors, accounting advisers, statutory auditors, executive officers or accounting auditors, such provisions of the articles of

incorporation, (xv) there are provisions in the articles of incorporation with regard to the agreements for the limitation of liabilities assumed by external directors, accounting advisers, outside statutory auditors or accounting auditors, such provisions of the articles of incorporation, (xvi) the URL for disclosure of certain information to be included in financial statements, and (xvii) the matters regarding public notice. In addition to the above, certain corporate actions such as mergers* (合併) are also registered.

Anyone may inspect the commercial register at the legal affairs bureau having jurisdiction over the company.

(t) Dissolution and liquidation

Under the Japan Companies Act:

Dissolution

A company may dissolve itself by adopting a special resolution in a general meeting. Upon dissolution of the company, its director(s) will cease to serve in such directorial capacity and the former director(s) will become the liquidator(s) of the company by default, unless otherwise provided for in its articles of incorporation or determined by a resolution in a general meeting. After the company is dissolved, it will continue to exist as a corporate entity. However, its sole purpose will be to liquidate itself. In other words, the dissolved company is not able to operate its business in the same manner as it did prior to the dissolution.

Liquidation

Once the company is dissolved, it will then proceed to liquidate itself. Liquidation is a procedure for the company to wind-up its affairs and eventually cease to be a corporate entity. During this process, liquidators will act as representatives of the company, replacing such representatives who were the company's representative director* (代表取締役) or chief executive officer before the dissolution.

(u) Untraceable members

Under our Articles:

Where power is exercised to sell the Shares of a Shareholder who is untraceable under the Japan Companies Act, our Company shall not exercise such power unless (a) during a period of 12 years, at least three dividends in respect of the shares in question have become payable and no dividend during the period has been received; and (b) on expiry of the 12 years, our Company notifies the Stock Exchange of such intention and gives notice of its intention to sell the Shares by way of an advertisement published in a newspaper in both Japan and Hong Kong.

The provisions in our Articles in respect of untraceable members are in compliance with paragraph 13(2) of Appendix 3 to the Listing Rules.

Under the Japan Companies Act:

In cases where notices have not reached a shareholder for five consecutive years and the shareholder of such shares has not received dividends of surplus for five consecutive years, a company shall be entitled to sell or auction the shares of such a shareholder. In exercising this right, a company is required to make a public notice and make a demand to a shareholder or a registered pledgee of shares seeking no objection to such action at least three months before such sale or auction. We have implemented more restrictive provisions in our Articles as described in the immediately preceding paragraph.

(v) Public notice

Under our Articles:

Our Company is entitled to distribute our public notices electronically, though our Company must publish an announcement in the Nihon Keizai Shimbun newspaper, the South China Morning Post and Hong Kong Economic Journal in the event that such electronic distribution is impossible.

(w) Three Committees

Under our Articles:

Our Company is a company with three committees* (委員会設置会社) and has established the Audit Committee, Remuneration Committee and Nomination Committee. Each such committee shall be composed of three or more Directors and the majority thereof shall be external Directors* (社外取締役). The members of each such committee shall be appointed and dismissed by the resolution of our Board of Directors and the composition of each such committee shall, from time to time, comply with the requirements under the Japan Companies Act and the Listing Rules.

We have amended the rules of our Audit Committee, Remuneration Committee and Nomination Committee to comply with the content requirements under Chapter 3 of, and Appendix 14 to, the Listing Rules. See "Directors and Senior Management - Board Committees" in the Prospectus for details.

Under the Japan Companies Act:

Under the Japan Companies Act, each of the three committees shall comprise three or more Directors and the majority of them shall be external Directors* (社外取締役).

The nomination committee shall determine the contents of proposals regarding the election and dismissal of directors to be submitted to a general meeting.

The audit committee shall audit the execution of duties by executive officers and directors and preparing audit reports and determine the contents of proposals regarding the election and dismissal of accounting auditors and the refusal to re-elect accounting auditors to be submitted to a shareholders meeting.

The remuneration committee shall determine the remunerations for individual executive officers and directors.

(x) Accounting auditors

Under our Articles and the Japan Companies Act:

Accounting auditors shall audit the financial statements and the supplementary schedules thereof, the temporary financial statements as well as the consolidated financial statements of a company. The accounting auditor shall be elected in a general meeting. The term of office of accounting auditor shall expire at the close of the annual general meeting for the most recent financial year ending within one year following their election.

Our Company may exempt accounting auditors from their liabilities for negligence in their duties under the Japan Companies Act by way of resolution of our Board of Directors to the extent allowed under the Japan Companies Act, except where they have been grossly negligent or have acted intentionally. Our Company may enter into contracts with accounting auditor to the effect that the liabilities for negligence in its duties under the Japan Companies Act shall be limited to the amount provided for in applicable laws and regulations, except where its has been grossly negligent or have acted intentionally.

(y) Quorum for meetings and separate class meetings

Under our Articles:

Under our Articles, a quorum for an ordinary resolution shall be present where Shareholders holding a majority of the voting rights in our Company are present whereas a quorum for a special resolution shall be present where Shareholders holding one-third or more of the voting rights in our Company are present.

Further, our Company is not allowed to issue any class of shares other than our common Shares* (普通株式). Our Articles therefore do not contain provision as to the circumstances where a separate class meeting is required.

(z) Conflict of interests

Under the Japan Companies Act:

In the following cases, the relevant directors and executive officers must disclose all the material facts regarding the transactions to the board of directors and seek its approval:

- where a director or executive officer effects a transaction within the area of business of the company for himself or for the benefit of a third party.

- where a director or executive officer effects a transaction with the company for himself or for the benefit of a third party.

- where the company effects a transaction with a third party involving a conflict of interests between the company and the director, such as in cases where the company guarantees the debt of the director to a lender.

Upon execution of the transaction, the director and executive officers executing the transaction shall also report promptly the material information regarding such transaction to the board of directors.

(aa) Indemnification

Under the Japan Companies Act:

If the officers (the directors, the executive officers and the accounting auditors) of a company shall be liable to such company for damages arising as a result of negligence of their duties, there are some indemnity provisions applicable to them under the Japan Companies Act.

3. PROTECTION OF MINORITY SHAREHOLDERS

Under our Articles and the Japan Companies Act:

Request for a general meeting

A Shareholder who has no less than 3% of the voting rights in our Company may request our Directors to convene a general meeting. If our Directors do not send out a convocation notice for such general meeting to be held and such general meeting is not convened by our Directors within eight weeks from the date of such request, the relevant Shareholder who made the request may convene a general meeting with court permission.

Request for additional matters in a meeting agenda

Any Shareholder who has either (i) no less than 1% of the voting rights in our Company; or (ii) no less than 300 Shares may request our Directors to include certain additional matter(s) or amend certain existing matter(s) in the meeting agenda of a general meeting. Such request must be made to our Directors no less than eight weeks prior to the general meeting of our Company. If the request is made to our Directors less than eight weeks prior to the general meeting, the requested additional matter(s) or amendment(s) may be included or made in the next general meeting of our Company.

Our Articles provide that we must announce (as a voluntary announcement on the Stock Exchange's website and our Company's website) the date of a general meeting no less than 10 weeks prior to the date of that meeting so that our Shareholders, if eligible, will have a two-week period to exercise the rights set out above.

Request for last-minute amendments to a meeting agenda

After the convocation notice of a general meeting has been despatched, a Shareholder is permitted to propose a last-minute amendment to the matters included in an existing meeting agenda of a general meeting of our Company without any prior notice if a matter of similar nature is included in the original meeting agenda. For example, a Shareholders may propose last-minute amendments to an existing meeting agenda and nominates a person for election as a director at any time before the relevant general meeting or even at the meeting, if the original meeting agenda includes a proposal of the appointment of a new Director, or Directors, to our Board of Directors. These last-minute amendments are a theoretical mechanism which, according to our Directors' knowledge, is exceptionally rarely put into actual practice in Japan.

If any agenda in a general meeting is rejected without receiving 10% of the votes cast in that general meeting, last-minute amendments of substantially the same nature will not be treated as an official agenda in the forthcoming general meetings within the following three years. For example, Shareholders may not be able to propose a person for election as a proposed Director as a last-minute amendment in the following three years if a last-minute nomination of the same person as a Director fails to receive 10% favourable votes in a general meeting in the past three years (so long as the background and conditions of both proposals are similar).

Due to these Japan law provisions, we are unable to comply with Rule 13.70 of the Listing Rules and paragraph 4(4) of Appendix 3 to the Listing Rules, which provide that (i) an issuer shall publish an announcement or issue a supplementary circular upon receipt of a notice from a shareholder to propose a person for election as a director at the general meeting where such notice is received by the issuer after publication of the notice of meeting; and (ii) the minimum length of the period for notice to propose a person for election as a director and that person to notify the issuer of his willingness to be elected, must be at least seven days. We have applied

for, and the Stock Exchange has granted us, a waiver from strict compliance with these requirements on the basis of the voluntary measures we put in place, the details of which are set out in "Waivers - B. Additional Waivers - Announcement of Nomination of Director(s)" and "Waivers - B. Additional Waivers - Articles of Incorporation - Nomination of Director(s).

Shareholders and potential investors (in particular, CCASS Beneficial Owners, who customarily do not attend general meetings in person) should note that you may lose the chance to vote on a last-minute amendment if you do not attend a general meeting in person, or if you have not appointed a proxy to attend and vote on your behalf. Under our Articles, where a Shareholder (including CCASS Beneficial Owners, who cast their votes by giving instructions to HKSCC Nominees) has casted a written vote on the original matter (regardless of whether such vote was for, against or abstained from the relevant matter), his/her vote will be counted as abstention from any last-minute amendment thereof. If a Shareholder has not casted a written vote on the original matter, they will lose the right to vote on any last-minute amendment thereof unless they attend the relevant general meeting in person or through their proxies. CCASS Beneficial Owners who are unable to give instructions to HKSCC Nominees on the original matter prior to the specified deadline will lose their right to vote on any last-minute amendment thereof. In both circumstances, the voting rights of the relevant Shareholder / CCASS Beneficial Owner will not form the quorum of the original matter and any last-minute amendment thereof.

Casting your votes in different ways

Under the Japan Companies Act, a Shareholder (including a nominee such as HKSCC Nominees) is permitted to divide his/her Shares and cast his/her votes corresponding to these Shares in different ways, casting his/her votes partly for and partly against a resolution. A Shareholder who wishes to cast his/her votes in different ways is required to notify our Company of his/her intention and the reasons therefor at least three days prior to the date of the relevant general meeting. Our Company may object to a Shareholder casting his/her votes in different ways if the Shareholder holds our Shares on his/her own behalf rather than as a nominee on behalf of others. Upon Listing, we will enclose a notification form with the convocation notice of each general meeting. Shareholders who wish to cast their votes in different ways should notify our Company by completing and returning the prescribed notification form to our Hong Kong Share Registrar. Shareholders (including nominee companies such as HKSCC Nominees) may also make a permanent election to cast their votes in different ways at all forthcoming general meeting, which may be withdrawn by writing to our Hong Kong Share Registrar.

Derivative Actions

In a derivative action, shareholders are allowed to pursue the liability of directors vis-a-vis the company on its behalf. In addition to the recovery of the loss to the company, this system also functions as a deterrent against neglect of duties and wrongdoing by directors and other officers of the company. Shareholders who have held a share for six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) before taking action are entitled to require the company, in writing, to initiate an action to pursue the liability of directors, executive officers, accounting auditors, accounting advisors, statutory auditors* (監查役)

incorporators, directors and statutory auditors* (監査役) in the establishment procedure, and liquidators. However, if the action is intended for the unjust benefit of the plaintiff shareholder, or a third party, or to cause damage to the company, this does not apply. If the company does not take any action within 60 days of the request, the shareholder who made the request is entitled to initiate an action in pursuit of liability of the directors, executive officers, accounting auditors, accounting adviser, statutory auditors* (監査役), incorporators, directors and statutory auditors* (監査役) in the establishment procedure and liquidators. If, by waiting sixty days, there is a likelihood of irrecoverable loss caused to the company, the shareholder may initiate an action straight away. Liability of directors can be capped (i) by a resolution of the general meeting after the incident, or (ii) by a board resolution under the provisions of the articles of incorporation in advance. However, if shareholders holding not less than three hundredths (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders (excluding officers subject to the liability) state objections to such a cap during a specified period of time, the company is not permitted to give effect to the cap pursuant to the relevant provisions of the articles of incorporation.

4. TRANSACTIONS REQUIRING SHAREHOLDERS APPROVAL

Under our Articles and the Japan Companies Act:

Ordinary resolutions* (普通決議)

Certain corporate acts and transactions must be, in general, approved by way of an ordinary resolution in a general meeting (i.e. a majority of the voting rights of the Shareholders present and entitled to vote at the relevant meeting, where the Shareholders holding majority of the votes of Shareholders entitled to vote are present). These corporate acts and transactions are, amongst others:

- distribution of surplus* (剰余金);
- repurchase of shares;
- reduction of the amount of reserves;
- increase of the amount of core capital* (資本金) by way of reduction of the amount of surplus;
- increase of the amount of reserves* (法定準備金) by way of reduction of the amount of surplus* (剰余金); and
- appropriation of its surplus* (剰余金), including disposition of loss and funding of voluntary reserves.

Special resolutions* (特別決議)

Certain corporate acts and transactions must be, in general, approved by way of a special resolution at a general meeting (i.e., two-third of the voting rights of the Shareholders present and entitled to vote at the relevant meeting, where the Shareholders holding a majority (or one third, if our Articles so provide) of the votes of Shareholders entitled to vote are present). These corporate acts and transactions are, amongst others:

- reverse stock split;
- issue and allotment to a third party (other than our Company and our existing Shareholders) at an *especially favourable* subscription price as described in paragraph (d)(ii) above;
- issuance of SARs at an especially favourable subscription price or especially favourable conditions as described in paragraph (c) above;
- distribution of dividend in kind without giving shareholders the rights to demand distribution in cash;
- acquisition at any time within two years after the incorporation of the company of assets that existed prior to such incorporation and which continue to be used for its business;
- merger;
- corporate split;
- share exchange* (株式交換) and share transfer* (株式移転);
- assignment of the entire business or a significant part of the business; and
- dissolution of the company.

Qualified special resolutions (特殊決議)

With respect to resolutions for matters described below, the approval of both (i) 50% or more of the shareholders who are entitled to exercise their voting rights at a general meeting; and (ii) two thirds or more of the votes of such shareholders is required:

- amendment to the articles of Incorporation, as a result of which any or all of the Shares of the company is subject to transfer restriction and requires the approval of the board of directors;

- approval of an absorption-type merger* (吸収合併) by which the company would be dissolved or of a statutory share exchange by which the company would become a wholly-owned subsidiary, where the Company does not restrict transfer of its shares and all or part of the consideration paid to the shareholders consist of shares with transfer restrictions; and

- approval of an incorporation-type merger* (新設合併) by which the company would be dissolved or of a statutory share transfer by which the company would become a wholly-owned subsidiary, where the company does not restrict transfer of its shares and all or part of the consideration paid to the shareholders consist of Shares with transfer restrictions.

Absorption-type mergers* (吸収合併) and incorporation-type mergers* (新設合併) are the two types of mergers allowed under the Japan Companies Act. An absorption-type merger* (吸収合併) is a merger whereby an existing company absorbs one or more other existing companies, while an incorporation-type merger* (新設合併) is a merger whereby a new company is incorporated to absorb one or more existing companies.

As a general rule, a special resolution is sufficient for approving an absorption-type merger or an incorporation-type merger. However, as exceptions to the general rule, Japan law requires a more stringent approval requirement for the two types of transactions above as holders of shares without transfer restrictions in the pre- merger entity would, as a result of the two types of transactions above, become holders of shares with transfer restrictions in the post-merger entity, thereby limiting their equity interests.

With respect to resolutions for matters described below, the approval of both (i) 50% or more of all shareholders; and (ii) 75% or more of the votes of such shareholders is required:

- amendment to the Articles of Incorporation that would result in unequal treatment to any Shareholder.

Unanimous approvals

Corporate acts and transactions that must be unanimously approved by the Shareholders are, amongst others:

- Amendments to the articles of incorporation reclassifying all of the shares of the Company into shares subject to a statutory call option of the company (similar to redeemable shares);

- conversion to general partnership company, limited partnership company or limited liability company (Article 776(1) of the Companies Act); and

- merger or share transfers in which all or part of consideration to the shareholders of a company to be absorbed or wholly acquired is the equity of a general partnership company, limited partnership company or limited liability company (Article 783(2) of the Companies Act);

- incorporation type merger in which each of general partnership company, limited partnership company or limited liability company will be established;

- full exemption from certain types of liability of a director, accounting auditor and executive officers;

- convocation of a general meeting without sending a convocation notice; and

- passing a written resolution without convening a general meeting.

5. ACCOUNTING AND AUDITING REQUIREMENTS

Under our Articles and the Japan Companies Act:

Financial year

Under our Articles, the financial year of our Company commences on 1 April of each year and ends on 31 March of each year.

Accounting documents

Under Japan law and our Articles, we are required to convene our AGM within three months after the day following 31 March, which is the last day of each financial year. Under our Articles and the Listing Rules, we are required to despatch the convocation notice of our AGM at least 21 days prior to the date thereof. Upon Listing, we will, as required under the Listing Rules and the Japan Companies Act, prepare and despatch the following documents together with our AGM convocation notice:

(a) a business report* (事業報告), which would include overview of our key business status, such as, the progress and results of the business, capital expenditures and fund-raising, trends in assets and profit/loss in the most recent three financial years, corporate reorganisations, status of major subsidiaries, shares outstanding and major shareholders, SARs, operation systems, and a status update of other important aspects of our business. Our business report* (事業報告) will be prepared in Japanese, English and Chinese upon Listing;

(b) an audited financial report, which would include material annual financial information such as the auditor's report and opinion, the consolidated statement of income, consolidated balance sheet, consolidated statement of changes in net assets, and notes to the consolidated financial statements, and the same for the statements of our Company and of our Group on a consolidated basis, respectively. Our audited financial report will be prepared in accordance with the JGAAP as required under the Japan Companies Act in Japanese, English and Chinese; and

(c) either (i) an annual report including our Group's annual accounts, which will be in compliance with the contents requirements under Appendix 16 to the Listing Rules; or (ii) a summary financial report, which will be in compliance with the contents requirements under Rule 13.46(2)(a) of the Listing Rules. Our annual report or summary financial report, as the case may be, will be prepared in accordance with the IFRS.

All documents above will be approved and authorised by our Board of Directors before they are despatched to our Shareholders. Once approved by our Board of Directors, our Company would despatch such financial statements and business reports* (事業報告) to all registered Shareholders entitled to receive the convocation notices of the general meetings of our Company along with the convocation notice of an AGM at which statements are presented for reporting by the Chief Executive Officer of our Company or, in the limited instances set forth below, for the approval of Shareholders.

Upon Listing, our Company will hold a single AGM that fulfils both the requirements under the Companies Act and the Listing Rules.

Approval of financial statements

In cases where the financial statements prepared in accordance with JGAAP having been approved by our Board satisfy the requirements prescribed by the ordinance of the Ministry of Justice as statements that accurately indicated the status of the assets and profits and losses of our Company in compliance with the Japan Companies Act and our Articles, our Chief Executive Officer must report the contents of such financial statements to our Shareholders at the AGM. This reporting requirement will be satisfied (and approval of the Shareholders will not be required) provided that the following requirements provided in the applicable ordinance of the Ministry of Justice are met:

(1) the audit report prepared by the accounting auditor includes an unqualified opinion that the financial statements appropriately reflects in all material respects the assets and liabilities and the profit and loss of the Company in accordance with JGAAP;

(2) the audit report prepared by our Audit Committee does not express the opinion that the method and result of the audit carried out by the accounting auditor is inappropriate;

(3) there is no dissenting opinion submitted to our Audit Committee that the method and result of the audit carried out by the accounting auditor is inappropriate;

(4) the audit report prepared by our Audit Committee has been delivered to the relevant Director designated to receive such report or, if no such designation has been made, the Director overseeing the preparation of the financial statements (the "*Designated Director*"), and the accounting auditor, prior to the later of:

(i) one week after delivery of the audit report prepared by the accounting auditor to our Audit Committee, which shall be delivered on the later of the following dates:

(a) four weeks after the accounting auditor receives the financial statements from our Company;

(b) one week after the accounting auditor receives attachments* (附屬明細書) to the financial statements; or

(c) a date separately agreed upon by the Designated Director, members of our Audit Committee and the accounting auditor as the deadline for the delivery of the audit report by the accounting auditor;

(ii) a date separately agreed upon by the Designated Director and our Audit Committee as the deadline for delivery of the audit report by our Audit Committee.

After the conclusion of the AGM convened, our Company must either, pursuant to the applicable ordinance of Ministry of Justice, (i) provide public notice of our balance sheet and profit and loss statements prepared in accordance with JGAAP of our Company or the digest thereof; or (ii) disclose the balance sheet and profit and loss statements prepared in accordance with JGAAP of our Company on the internet for a period of five years. If the financial statements prepared in accordance with JGAAP fail to meet the requirements of the applicable ordinance of the Ministry of Justice, Shareholders' approval of such financials will be required to finalise them. If such Shareholders' approval cannot be obtained, in order to finalise the JGAAP financial statements, our Board of Directors may revise such financial statements so that they meet the requirements of the applicable ordinance of the Ministry of Justice, in which case Shareholders' approval will no longer be necessary. Alternatively, our Board of Directors may convene another Shareholders' meeting to obtain Shareholders' approval after amending the JGAAP financial statements in the event such amended financial statements still fail to meet the requirements of the applicable Ordinance of the Ministry of Justice. Since the requirement to present financial statements in accordance with JGAAP and financial statements in accordance with IFRS are independent of one another, in the event that Shareholders' approval is required in connection with the JGAAP financial statements and our Company is unable to obtain such approval, the presentation of the financial statements in accordance with IFRS to Shareholders will not be affected. With regard to financial statements prepared in accordance with IFRS, although it may do so voluntarily, our Company is not required under the applicable ordinance of the Ministry of Justice and the Companies Act to obtain Shareholders' approval of such financial statements at a Shareholders' meeting. Our Company, in practice, will seek to obtain Shareholders' approval of the IFRS financial statements at a Shareholders' meeting, and if our Company is unable to obtain such Shareholders' approval, our Company will revise our IFRS financials and convene another Shareholders' meeting as soon as practicable to obtain Shareholders' approval of the amended IFRS financials.

Our Company will procure our accounting auditors to prepare reconciliation between our financial statements under JGAAP and IFRS for each of our financial years upon the Listing and despatch such reconciliation documents to our Shareholders together with our annual report.

6. DIVIDENDS AND DISTRIBUTIONS

Under our Articles and the Japan Companies Act:

Under the Japan Companies Act, a company may stipulate in its articles of incorporation that its board of directors may determine dividend distribution unless such dividend is proposed to be paid in kind (other than shares, bonds (including convertible bonds) and SARs issued by such company, which the Japan Companies Act prohibits) without giving shareholders the right to demand distribution in cash (in which case a special resolution in a general meeting would be required). Accordingly, under our Articles, our Company may distribute dividend by a resolution of our Board of Directors unless such dividend is be paid in kind (other than Shares, bonds (including convertible bonds) and SARs issued by our Company, which the Japan Companies Act prohibits) without giving Shareholders the right to demand distribution in cash. A resolution of our Board of Directors authorising a distribution of dividends must specify the kind and aggregate book value of the assets to be distributed, the manner of allocation of the assets to Shareholders and the effective date of the distribution.

Under the Japan Companies Act, Shares, bonds (including convertible bonds) and SARs issued by our Company are prohibited from being distributed as dividend and interim dividend can only be distributed as cash. Scrip dividends in the form of Shares, bonds (including convertible bonds) or SARs issued by our Company are prohibited under the Japan Companies Act. The Japan Companies Act provides that a company with a board of directors may distribute interim dividends every financial year if a company provides in its articles of incorporation that it may do so by a resolution of the board of directors. Our Articles contain such provision.

According to the Civil Code, claims, including shareholders' rights to receive distributions of dividends and residual assets, are extinguished if they had not been exercised for ten years, unless there is a Japanese court precedent permitting a provision to be included in the articles of incorporation of a Japanese company allowing shareholders' rights to receive distributions of dividends to be extinguished if it has not been exercised for five years. On 3 August 1927, the Supreme Court of Japan ruled that a Japanese company may, in its articles of incorporation, allow Shareholders' rights to receive dividends to be extinguished if it has not been exercised for a period less than ten years. Accordingly, under our Articles of Incorporation, all dividends unclaimed for six years after having been declared may be forfeited by, and reverted to, our Company.

Distributable Amounts

When we distribute dividends, the smaller amount of (i) 10% of the surplus so distributed, or (ii) an amount equal to one quarter of our share capital less the aggregate amount of our share premium* (資本準備金) and legal reserve* (利益準備金) as at the date of such distribution needs to be set aside either as share premium* (資本準備金) or legal reserve* (利益準備金) until the aggregate amount of our share premium* (資本準備金) or legal reserve* (利益準備金) reaches one quarter of our core capital* (資本金).

Under the Japan Companies Act, a company may distribute dividends up to the excess of the aggregate of (a) and (b) below, less the aggregate of (c) through (f) below, as at the effective date of the distribution (the "*Distributable Amount*"), if net assets are not less than ¥3,000,000:

(a) the amount of retained earnings* (剰余金), as described below;

(b) in the event that extraordinary financial statements as at, or for a period from the beginning of the financial year to, the specified date are approved, the aggregate amount of (i) the aggregate amount as provided for by an ordinance of the Ministry of Justice as the net income for such period described in the statement of operations constituting the extraordinary financial statements, and (ii) the amount of consideration received for treasury stock* (自己株式) disposed of during such period;

(c) the book value of treasury stock* (自己株式);

(d) in the event that a company disposes of treasury stock* (自己株式) after the end of the latest financial year, the amount of consideration received for such treasury stock* (自己株式);

(e) in the event described in (b) above, the amount of net loss for such period described in the statement of operations constituting the extraordinary financial statements; and

(f) certain other amounts set forth in ordinances of the Ministry of Justice, including (if the sum of one-half of our goodwill and deferred assets exceeds the total of our share capital, share premium* (資本準備金) and legal reserve* (利益準備金), each such amount as it appears on the balance sheet as at the end of the latest financial year) all or a certain part of such excess amount as calculated in accordance with the ordinances of the Ministry of Justice.

For the purpose of (b) above, an extraordinary financial statement of a company is (aa) a balance sheet of such company as at the extraordinary account closing date, which is a particular date in the current financial year designated at the discretion of such company; and (bb) a profit and loss statement of such company for the period commencing from the first date of the current

financial year and ending on the extraordinary account closing date. Under Japan law, a company may opt to, but is not required under any circumstances to, prepare extraordinary financial statements, especially when such company wishes to know its financial status at a particular point of the current financial year.

For indicative purposes, our Company's annual report incorporating financial statements (or a summary financial report) prepared in accordance with IFRS will include the Distributable Amount as at the end of the fiscal year.

For the purposes of this section, the amount of retained earnings* (剰余金) is the excess of the aggregate of I. through IV. below, less the aggregate of V. through VII. below:

I. the aggregate of other capital surplus* (その他資本剰余金) and other retained earnings* (その他剰余金) at the end of the last financial year;

II. in the event that a company disposes treasury stock* (自己株式) after the end of the last financial year, the difference between the book value of such treasury stock* (自己株式)and the consideration received for such treasury stock* (自己株式);

III. in the event that core capital* (資本金) is reduced after the end of the last financial year, the amount of such reduction less the portion thereof that has been transferred to share premium* (資本準備金) and/or legal reserve* (利益準備金) (if any);

IV. in the event that share premium* (資本準備金) and/or legal reserve* (利益準備金) were reduced after the end of the last financial year, the amount of such reduction less the portion thereof that has been transferred to share capital (if any);

V. in the event that a company cancels treasury stock* (自己株式) after the end of the last financial year, the book value of such treasury stock* (自己株式);

VI. in the event that a company distributes dividends after the end of the last financial year, the aggregate of the following amounts:

    a. the aggregate amount of the book value of the distributed assets, excluding the book value of such assets that would be distributed to shareholders as a result of their exercise of the right to receive dividends in cash instead of dividends in kind;

    b. the aggregate amount of cash distributed to shareholders who exercised the right to receive a distribution in cash instead of a distribution in kind; and

    c. the aggregate amount of cash paid to shareholders holding fewer shares than the shares that were required in order to receive a distribution in kind;

VII. the aggregate amounts of a. through d. below, less e. and f. below:

a. in the event that the amount of retained earnings* (剰余金) was reduced and transferred to share premium* (資本準備金), legal reserve* (利益準備金) and/or core capital* (資本金) after the end of the last financial year, the amount so transferred;

b. in the event that a company distributes dividends after the end of the last financial year, the amount set aside in the reserve* (準備金);

c. in the event that a company disposes treasury stock* (自己株式) through (x) a merger in which a company acquires all rights and obligations of another company, (y) a corporate split in which a company acquires all or a part of the rights and obligations of the split-off company or (z) a share exchange in which a company acquires all shares of another company after the end of the last financial year, the difference between the book value of such treasury stock and the consideration that the company received for such treasury stock;

d. in the event that the amount of retained earnings* (剰余金) was reduced in the process of a corporate split in which a company transferred all or a part of its rights and obligations after the end of the last financial year, the amount so reduced;

e. in the event of (x) a merger in which a company acquires all rights and obligations of another company, (y) a corporate split in which a company acquires all or a part of the rights and obligations of the split- off or (z) a share exchange in which a company acquires all shares of another company after the end of the last fiscal year, the aggregate amount of (i) the amount of other capital surplus* (その他資本剰余金) after such merger, corporate split or share exchange, less the amount of other capital surplus* (その他資本剰余金) before such merger, corporate split or share exchange, and (ii) the amount of other retained earnings* (その他剰余金) after such merger, corporate split or share exchange, less the amount of other retained earnings* (その他剰余金) before such merger, corporate split or share exchange; and

f. in the event that an obligation to cover a deficiency, such as the obligation owed by a person who subscribed to newly issued shares with an unfair amount to be paid in, was fulfilled after the end of the last fiscal year, the amount of other capital surplus increased by such payment.

7. MERGERS AND ACQUISITIONS

Under the Japan Companies Act:

(i) Mergers* (合併)

Absorption-type mergers* (吸収合併) and incorporation-type mergers* (新設合併) are the two types of mergers allowed under the Japan Companies Act. An absorption-type merger* (吸収合併) is a merger whereby an existing company absorbs one or more other existing companies, while an incorporation-type merger* (新設合併) is a merger whereby a new company is incorporated to absorb one or more existing companies.

The company must seek a special resolution under the Japan Companies Act and the articles of incorporation of the company at the a general meeting if it conducts a merger, unless:

(i) the company is the surviving entity in relation to the merger and the consideration to be paid to the shareholders of the counterparty (absorbed entity) is 20% or less of the net asset of the company; or

(ii) the counterparty has 90% or more of the outstanding shares of the company.

Shareholders who are opposed to the planned merger are entitled to require the respective company to purchase their shares at a fair price. Shareholders who have voting rights and have informed the company of their objection before the general shareholders' meeting and have voted against the merger, or shareholders who do not have voting rights, may exercise these rights. The appraisal right must be exercised within twenty days before the date the merger takes effect and the day before this date.

Since creditors may be affected by the merger, there is a procedure for the protection of creditors. The merging companies are under an obligation to publicly announce the merger in the official gazette and also to invite known creditors to come forward, if they object to the merger. By the articles of incorporation, companies may decide not to notify known creditors individually, but instead make an announcement in the daily papers, or notify the creditors by electronic means, in addition to the announcement in the official gazette.

If a creditor objects to the merger, the company needs to either (i) repay the debt even if it is not due, (ii) instead, provide collateral, or (iii) deposit an appropriate amount with a trust company or banks involved in trust business. However, the novelty since the 1997 amendments is that if there is no likelihood of the merger harming the creditors, these measures are not required.

Under the Japan Companies Act, it has become permissible to use the stock of the parent of the surviving company as consideration in an acquisition or disposal, thereby enabling triangular mergers.

In mergers by setting up a new company, the merger takes effect by registration. In mergers by absorption, the rights and obligations of the extinguishing company are transferred to the surviving company in a comprehensive manner on the agreed date on which the merger takes effect.

Japan law requires that certain general information is included in a convocation notice for an extraordinary general meeting ("*EGM*"), as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for merger contracts, the convocation notice must include the following key content requirements: (i) the reason for the proposed merger; (ii) the terms and conditions of the merger contract, (iii) the appropriateness of the consideration to be paid or received; (iv) the counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year and (v) the counterparty's material subsequent events after the end of the latest financial year.

(ii) Company splits* (会社分割)

A company split is a process whereby a stock company or a limited liability company (合同会社) transfers all or part of the rights and obligations pertaining to a certain division of the company to another existing company or a newly established company. The separation of rights and obligations pertaining to a division of such a company to an existing company is called absorption type company split* (吸収分割), while the separation of rights and obligations pertaining to a division of such a company to a newly established company is called new incorporation type company split* (新設分割). In each type of company split, as consideration for the separation of rights and obligations, the separating company will issue or pay shares, bonds, SARs, cash or other assets to the other company.

In a new incorporation type company split or an absorption type company split, the procedure is (i) the preparation of a plan for the split, or a contract of split; (ii) the making available of relevant documents for inspection; (iii) the approval by a general meeting, (iv) the procedure for the protection of creditors; and (v) registration.

The plan or the contract of a split must be made available for inspection by shareholders and creditors in the same manner as mergers. The plan or the contract is subject to approval at the general shareholders' meeting of the splitting company and, in cases of spin-off to another existing company, also by shareholders of that company by a special resolution of a shareholders' meeting. Shareholders who are opposed to the split are granted an appraisal right as with a merger. The procedure for the protection of creditors of those companies is also available.

The company must seek a special resolution at a general meeting if it conducts a company split unless:

(i) the company split results in an establishment of a new company, and the company is the splitting entity in relation to the corporate split, and the assets to be transferred are 20% or less of the total assets of the company;

(ii) the company split results in a consolidation with an existing company, and the company is the splitting entity in relation to the corporate split, and the net assets to be transferred is 20% or less of the total asset of the company;

(iii) the company split results in a consolidation with an existing company (the "*Merging Entity*"), and the company is the Merging Entity, and the consideration to be paid to the counterparty (splitting entity) in relation to the corporate split is 20% or less of the net asset of the company; or

(v) the company split results in a consolidation with an existing company, and the counterparty has 90% or more of the outstanding shares of the company.

As a rule, rights and obligations of the spitting company are transferred either to the newly established company or to the absorbing company. This also applies to employment contracts.

Japan law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for company splits, the convocation notice must include the following key content requirements: (i) the reason for the proposed company split; (ii) the terms and conditions of the company split contract or plan; (iii) the appropriateness of the consideration to be paid or received, (iv) the counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year; (v) the counterparty's material subsequent events after the end of the latest financial year and (vi) the articles of incorporation, directors, statutory auditors and accounting auditors of the newly-established corporation.

(iii) Share exchange* (株式交換) and share transfer* (株式移転)

A share transfer (株式移転) is a transaction whereby one or more companies create a new company and transfer all of their outstanding shares to that new company (i.e., creation of a newly incorporated company as their 100% parent) in return for shares, bonds, SARs, bonds with SARs (i.e. convertible bonds) or other assets of the new company.

A share exchange* (株式交換) is a transaction whereby a company transfers all of its outstanding shares to an existing company (i.e., conversion of an existing company to a wholly-owned subsidiary of another existing company) in return for shares, bonds, SARs, bonds with SARs (i.e. convertible bonds) or other assets of the company that will become a new parent of such company.

The company must seek a special resolution at a general meeting if it conducts a share exchange unless:

(i) the company is the squeezing entity in relation to the share exchange and the consideration to be paid to the shareholder of the counterparty (target entity) is 20% or less of the net assets of the company; or

(ii) the counterparty has 90% or more of the outstanding shares of the company.

The company must seek a special resolution at a general meeting if it conducts a share transfer.

Japan law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for share exchange contracts, the convocation notice must include the following key content requirements: (i) the reason for the proposed share exchange; (ii) the terms and conditions of the share exchange contract; (iii) the appropriateness of the consideration to be paid or received, (iv) the counterparty's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year and (v) the counterparty's material subsequent events after the end of the latest financial year.

Further, in addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for share transfer plans, the convocation notice must also include the following key content requirements: (i) the reason for the proposed share transfer plan; (ii) the terms and conditions of the share transfer; (iii) the company's financial documents (balance sheet / profit and loss statement / business report / auditor's report) of the latest financial year; (iv) the company's material subsequent events after the end of the latest financial year and (v) the articles of incorporation, directors, statutory auditors and accounting auditors of the newly-established corporation.

(iv) Business transfer* (事業譲渡) and transfer of shares in a subsidiary

A business transfer* (事業譲渡) is a transaction whereby a company transfers all or a portion of its business* (事業) to another entity. According to the judicial precedents, the term business* (事業) is regarded to mean "*a combination of assets and liabilities organised for a certain commercial purpose including a contractual relationship with its customers*." Based on this standard, bare assets which do not by themselves constitute business operations are not regarded as business* (事業). In addition, under the JCA Amendments, transfers of shares in a subsidiary is generally subject to the same regulation as a business transfer* (事業譲渡) if as a result of a transfer, the company no longer keeps the majority of voting rights of such subsidiary.

The contract by a company to transfer all of or a significant portion of its "business" (事業) (and, under the JCA Amendments, transfers of shares in a subsidiary if as a result of a transfer, the company no longer keeps the majority of voting rights of such subsidiary) to another entity is subject to the special resolution of a shareholders' meeting unless:

(i) the consideration to be paid by the transferee to the stock company (or, under the JCA Amendments, the book value of the shares in a subsidiary to be transferred) is 20 % or less of the total assets of the stock company; or

(ii) the transferee has 90% or more of the outstanding shares of the company.

Shareholders who opposed to the business transfer* (事業再編) are given appraisal rights.

Japan law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for business transfers* (事業譲渡) (or transfer of shares in a subsidiary), the convocation notice must include the following key content requirements: (i) the reason for the proposed business transfer* (事業譲渡) (or transfer of shares in a subsidiary); (ii) the terms and conditions of the business transfer* (事業譲渡) (or transfer of shares in a subsidiary) contract and (iii) the appropriateness of the consideration to be received.

(v) Business assumption* (事業譲受)

A business assumption* (事業譲受) is a transaction whereby a company assumes all or a portion of its business* (事業) from another entity. According to the judicial precedents, the term business* (事業) is regarded to mean "*a combination of assets and liabilities organised for a certain commercial purpose including a contractual relationship with its customers*." Based on this standard, bare assets which do not by themselves constitute business operations are not regarded as business* (事業).

The contract by a company to assume all of the business* (事業) from another entity is subject to the special resolution of a general meeting unless:

(i) the consideration to be paid by the stock company to the transferor is 20 % or less of the net assets of the company; or

(ii) the transferor has 90% or more of the outstanding shares of the company.

Shareholders who opposed to the business assumption* (事業譲受) are given appraisal rights.

Japan law requires that certain general information is included in a convocation notice for an EGM, as well as certain other information, the content of which depends on the transaction(s) that is (or are) being contemplated. Regardless of the nature of the transaction any convocation notice must include (i) the date of the EGM; (ii) the place of the EGM and (iii) a list of matters to be resolved at the EGM.

In addition to the general content requirements for convocation notices noted above, for convocation notices which relate to gaining consent for business assumptions, the convocation notice must include the following key content requirements: (i) the reason for the proposed business assumption; (ii) the terms and conditions of the business assumption contract and (iii) the appropriateness of the consideration to be paid.

8. COMPULSORY ACQUISITIONS

Under the Japan Companies Act and our Articles:

General provisions

Under the Companies Ordinance, the minority shareholders of a Hong Kong-incorporated company may be compulsorily brought out or may require an offeror to buy out their interests if the offeror acquires 90% of the issued shares in a successful takeover without shareholders' approval. Under the relevant Japan laws and regulations, compulsory acquisitions can be achieved without shareholders' approval by the following transactions:

(i) An offeror (which must be a Japan-incorporated company) having acquired 90% or more of the voting rights in a stock company* (株式会社) (which our Company is one) may (aa) acquire the remaining interests of the minority shareholders by way of a share exchange* (株式交換) arrangement; or (bb) cash out the remaining interests of the minority shareholders by way of a merger* (合併) arrangement (the "*JCA Compulsory Acquisitions*") only with the approval of the board of directors of the said company. In case of a share exchange* (株式交換) arrangement, the offeror must be a stock company* (株式会社) or a limited liability company* (合同会社).

(ii) Under the JCA Amendments, which will come into effect at a later date to be announced by the relevant Japanese authority, an offeror having acquired 90% or more of the voting rights in a stock company* (株式会社) (which our Company is one) may compulsorily acquire the interests of all remaining shareholders only with the approval of the board of directors of the said company (the "*JCA Amendment Compulsory Acquisition*").

Other than the transactions above, there is currently no provision under Japan laws and regulations similar to the compulsory acquisition regime under the Companies Ordinance that would otherwise allow an offeror in a successful takeover to buy out the minority shareholders without shareholders' approval, regardless of the shareholding percentage acquired by such offeror.

Alternative Share Transactions subject to Shareholders' approval

Apart from the JCA Compulsory Acquisitions and the JCA Amendment Compulsory Acquisition, under Japan laws, an offeor of a successful takeover or the minority shareholders of a Japan-incorporated company may also achieve a similar outcome of compulsory acquisitions by proposing the following transactions (the "*Share Transactions*") to the subject company, all of which are subject to shareholders' approval:

(1) conversion of the interests held by the minority shareholders into callable shares, pursuant to which holders of such shares may only receive fractional shares upon exercise of the relevant call option (as a result, minority shareholders may only receive cash in consideration) (the "*Issue of Callable Shares*"). Our current Articles do not allow the issue of callable shares;

(2) a merger* (合併) arrangement, whereby the subject company is merged with another company to form a new merged entity. The minority shareholders, in consideration for their interests in the subject company being extinguished upon merger, do not receive any shares of the merged entity or only receive fractional shares of the subject company (as a result, minority shareholders may only receive cash in consideration) (the "*Merger*");

(3) a share exchange* (株式交換) arrangement, whereby the entire issued shares of the subject company is acquired by an existing acquiror company (being a stock company* (株式会社) or limited liability company* (合同会社). The minority shareholders, in consideration for transferring their interests in the subject company to the acquiror company, do not receive any shares of the acquiror company or only receive fractional shares of the acquiror company (as a result, minority shareholders may only receive cash in consideration) (the "*Share Exchange*");

(4) a share transfer* (株式移転) arrangement, whereby the entire issued shares of the subject company is acquired by a newly incorporated stock company* (株式会社). The minority shareholders, in consideration for transferring their interests in the subject company to the newly incorporated company, do not receive any shares of the newly incorporated company or only receive fractional shares of the newly incorporated company (as a result, minority shareholders may only receive cash in consideration) (the "*Share Transfer*");

(5) a consolidation of the shares of the subject company, whereby the minority shareholders only receive fractional shares in the subject company upon consolidation (as a result, minority shareholders may only receive cash in consideration) (the "*Share Consolidation*").

To initiate the Share Transactions above, an offeror in a successful takeover or minority shareholders may either (i) request for the convocation of a general meeting; or (ii) request for additional matter(s) to be included in the agenda of a general meeting. See "B. Key Japan Legal and Regulatory Matters - B. Shareholders' Meetings" for the detailed procedures.

Under the Japan Companies Act, the approval threshold of the Share Transactions above is two-third of the votes of shareholders present at a general meeting, which is significantly lower than the 90% threshold of the compulsory acquisition regime under the Companies Ordinance. As an enhanced measure of shareholders' protections, our Articles provide that at least 90% of the votes of Shareholders present at a general meeting are required to (i) approve a Merger, Share Exchange, Share Transfer or Share Consolidation; and (ii) amend our current Article provision allowing our Company to issue callable shares. Our Japan Legal Adviser has confirmed that these Articles provisions are legal and enforceable under the relevant Japan laws and must be abided by any Shareholder (including an offeror in a successful takeover or minority Shareholders) who seeks to initiate the Share Transactions above.

Our Directors are of the view that, in relation to compulsory acquisitions, the level of protections under our Articles and the relevant Japan laws and regulations taken as a whole is largely commensurate to the shareholders' protections provided under the Companies Ordinance (given the Articles provisions put in place by us).

Acquisition price

Under the Companies Ordinance, compulsory acquisitions must be made at a price equivalent to the original offer price of the relevant takeover transaction. Under the relevant Japan laws and our Articles, there is no restriction on the acquisition price of the transactions set out above. However, minority shareholders may resort to the following court procedures:

(a) In respect of an Issue of Callable Shares, minority Shareholders who (aa) have objected to these Share Transactions prior to the convocation of the relevant general meeting considering the same and have actually voted against these Share Transactions in such general meeting; or (bb) do not have voting right in such general meeting have a right to receive monetary compensation calculated based on the fair value of the shares acquired from them.

(b) In respect of the Share Transactions, minority shareholders may, within three months from date of the shareholders' resolution approving the relevant Share Transactions, claim revocation of the said resolution as grossly improper under certain prescribed circumstances if the acquisition price is too low.

(c) In respect of a JCA Compulsory Acquisition, Share Exchange, Share Transfer or Merger, minority Shareholders who (aa) have objected to these transactions prior to the convocation of the relevant general meeting considering the same and have actually voted against these transactions in such general meeting; or (bb) do not have voting right in such general meeting, may request the subject company to repurchase their shares at a fair price. If the subject company and the minority shareholders cannot agree on a fair price within 30 days from the effective date of such transactions, the minority shareholders may petition a court in Japan to determine the fair price within 30 days from the expiry date of the 30-day discussion period with the subject company.

(d) Under JCA Amendments, dissenting minority shareholders of a Share Consolidation who hold fractional shares in the subject company are also entitled to an appraisal right similar to (c) above.

(e) In respect of a JCA Compulsory Acquisition, apart from the right to request for a repurchase set out in (c) above, any minority shareholder who may suffer disadvantage in such JCA Compulsory Acquisition may also file a petition to a court in Japan to cease the JCA Compulsory Acquisition on the ground that it violates the law and/or the articles of incorporation* (定款) of the subject company or that the acquisition price is significantly unfair.

(f) In respect of a JCA Amendment Compulsory Acquisition, a minority shareholder may petition a court in Japan to determine the fair price or to cease JCA Amendment Compulsory Acquisition under certain prescribed circumstances.

Investors should however note that there may be significant delays and costs involved in the initiation of the aforementioned court procedures.

Additional rights of minority shareholders to request for a share repurchase

A Shareholder may, in addition to the above circumstance, require our Company to repurchase his/her Shares if he/she has informed our Company of his/her objection to the following transactions prior to the general meeting, and has voted against the special resolution in the general meeting in respect of the following transactions:

(a) the introduction of restrictions on share transfers;

(b) the introduction of a condition that permits our Company to force Shareholders to sell their Shares to our Company;

(c) in case the following transactions are determined for a certain class of Shares without resolution of corresponding class Shareholders' meeting:

  (1) consolidation of Shares or splitting of Shares;

  (2) allotment of Shares without contribution;

  (3) amendment to the Articles on the share unit;

  (4) certain solicitation of persons to subscribe for the Shares of our Company;

  (5) certain solicitation of persons to subscribe for the share options; and

  (6) allotment of SARs without contribution.

In the above circumstances, a Shareholder must inform our Company of his/ her objection prior to the Shareholders' meeting and must vote against the special resolution at the general meeting. The Shareholder must specify the number of shares he/she wishes to have our Company purchase within 20 days prior to the effective date of the relevant transactions.

9. FINANCING

<u>*Under the Japan Companies Act:*</u>

Other than borrowing, companies may take measures to finance themselves as follows:

(i) Issue of new shares

See "— B. Our Corporate Matters — (d) Directors — (ii) Power to issue and allot shares" in this section above.

(ii) Issue of bonds

The Japan Companies Act defines a bond as any monetary claim owed by a company by allotment under the provisions of the Japan Companies Act and which will be redeemed in accordance with the provisions on the matters listed in the items of the Japan Companies Act.

There are straight bonds and bonds with SARs (i.e. convertible bonds). The latter are bonds with SARs which are inseparable from the bond itself.

In cases where a company will issue bonds, the company must specify a bond manager and entrust the receipt of payments, the preservation of rights of a claim on behalf of the bondholders, and other administration of the bonds to that manager, unless the value of each bond is ¥100 million or more, or the total amount of the bonds divided by the minimum price of the bond is less than 50.

10. FOREIGN EXCHANGE CONTROL

The Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) and the cabinet orders and ministerial ordinances (collectively, the "*Foreign Exchange Regulations*") thereunder govern certain matters relating to the issue of equity-related securities by us and the acquisition, holding and disposal of Shares by Foreign Investors (defined below).

For the purpose of this sub-section, an "*Exchange Resident*" is defined under the Foreign Exchange Regulations as:

(i) an individual who resides within Japan; or

(ii) a corporation whose principal offices are located within Japan;

An "*Exchange Non-Resident*" is defined under the Foreign Exchange Regulations as:

(i) an individual who does not reside in Japan; or

(ii) a corporation whose principal offices are located outside Japan.

As confirmed by our Japan Legal Adviser, branches and other offices located within Japan of non-resident corporations are regarded as Exchange Residents. Conversely, branches and other offices of Japanese corporations located outside Japan are regarded as Exchange Non-Residents.

A "*Foreign Investor*" is defined under the Foreign Exchange Regulations as:

(i) an individual who is an Exchange Non-Resident;

(ii) a corporation that is organised under the laws of a foreign country other than Japan or whose principal office is located outside Japan; or

(iii) a corporation (a) 50% of more of the total voting rights of which are directly or indirectly held by individuals who are Exchange Non-Residents and/or corporations that are either organised under the laws of foreign countries other than Japan or whose principal office is located outside Japan; or (b) a majority of whose directors or officers, or directors or officers having the power of representation, are individuals who are Exchange Non-Residents.

Subscription for, or acquisition or disposal of, our Shares are generally not subject to filing requirements under the Foreign Exchange Regulations. However, investors may be required, in the following limited circumstances, to notify the Minister of Finance, Minister of Economy, Trade and Industry and the prime minister through The Bank of Japan prior to, or following, subscribing for, or acquiring or disposing of, the Shares.

(i) Prior Notification

In certain limited circumstances, Foreign Investors must submit prior notification (the "*Prior Notification*") to The Bank of Japan within six months preceding (i) in case of subscription, the date of payment for subscription, (ii) in case of acquisition, the acquisition date or (iii) in case of disposal, the disposal date. Such Foreign Investor must wait for 30 days from the date on which the Prior Notification is received by The Bank of Japan before paying subscription monies for, acquiring, or diposing of, our Shares. Such period may be shortened to two weeks if the investment is not related to the safety of Japan.

There is a general exemption from the Prior Notification requirement if the Foreign Investor is a resident of, or a corporation organised under the laws of, the following exempted jurisdictions (the "*Exempted Jurisdictions*"), of which Hong Kong is one:

Albania
Algeria
Angola
Antigua and Barbuda
Argentina
Armenia
Australia
Austria
Bahamas
Bahrain
Bangladesh
Barbados
Belgium
Belize
Benin
Bhutan
Bolivia
Botswana
Brazil
Brunei
Bulgaria
Burkina Faso
Burundi
Cambodia
Cameroon
Canada
Central Africa
Chad
Chile
Colombia
Costa Rica
Côte d'Ivoire
Croatia
Cuba
Cyprus
Czech Republic
Democratic Republic of Congo
Denmark
Djibouti
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Ethiopia
Fiji
Finland
Former Yugoslav Republic of Macedonia
France
Gabon
Gambia
Germany
Ghana
Greece
Grenada
Guatemala
Guinea
Guinea-Bissau
Guyana
Haiti
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Jamaica
Jordan
Kenya
Kuwait
Kyrgyzstan
Laos
Latvia
Lebanon
Lesotho
Liechtenstein
Lithuania
Luxembourg
Macau
Madagascar
Malawi
Malaysia
Maldives
Mali
Malta
Marshall
Mauritania
Mauritius
Mexico
Micronesia
Moldova
Monaco
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nauru
Nepal
Netherlands
New Zealand
Nicaragua
Niger
Nigeria
Norway
Oman
Pakistan
Panama
Papua New Guinea
Paraguay
Peru
Philippines
Poland
Portugal
PRC
Qatar
Republic of Congo
Republic of Georgia
Republic of Korea
Republic of South Africa
Romania
Russia
Rwanda
Samoa
Saudi Arabia
Senegal
Sierra Leone
Singapore
Slovakia
Slovenia
Solomon
Spain
Sri Lanka
St. Christopher and Nevis
St. Lucia
St. Vincent
Sudan
Suriname
Swaziland
Sweden
Switzerland
Syria
Taiwan
Tanzania
Thailand
Togo
Tonga
Trinidad and Tobago
Tunisia
Turkey
Uganda
Ukraine
United Arab Emirates
United Kingdom
Uruguay
USA
Vanuatu
Venezuela
Vietnam
Zambia
Zimbabwe

A Foreign Investor who is required to submit the Prior Notification and does not do so or who submits a Prior Notification containing a misstatement and who subscribes for or acquires our Shares shall have committed an offence punishable by imprisonment for not more than three years or by a fine of not more than ¥1 million, or both. Where a Foreign Investor is a corporation, the representative person of such Foreign Investor such as a director, agent or employee, may be imprisoned for not more than three years or fined not more than ¥1 million, or both.

Where necessary, the Prior Notification will be filed by our Company on behalf of each Foreign Investor, except where the Foreign Investors acquire our Shares from an Exchange Resident, in which case such Exchange Resident should file the Prior Notification on behalf of the Foreign Investors. The obligations of the Foreign Investors are limited to the duty of providing certain information to our Company or the relevant Exchange Resident (as the case may be) as prescribed under the Foreign Exchange Regulations.

(ii) Post Reporting and Post-disposal Notification

Where we have or a Foreign Investor has made a Prior Notification, such Foreign Investor is also required to make a post notification (the "*Post Reporting*") to The Bank of Japan, within 30 days of the date of subscription or acquisition. Upon disposal of our Shares, such Foreign Investor is also required to make a post notification (the "*Post-disposal Notification*") to The Bank of Japan within 30 days of the disposal date.

If a Foreign Investor fails to make the Post Reporting or the Post-disposal Notification, or if the Post Reporting or the Post-disposal Notification contains a misstatement, it shall be an offence punishable by imprisonment for not more than six months or by a fine of not more than ¥500,000, or both.

Where necessary, the Post Reporting will be filed by our Company on behalf of each Foreign Investor, except where a Foreign Investor acquires our Shares from an Exchange Resident, in which case such Exchange Resident should file the Post Reporting on behalf of the Foreign Investor. The Post-disposal Notification will be filed by our Company on behalf of the Foreign Investor. The obligations of the Foreign Investors are limited to the duty of providing certain information to our Company or the relevant Exchange Resident (as the case may be) as prescribed under the Foreign Exchange Regulations.

(iii) Post Notification

If (i) a Foreign Investor subscribes for, or acquires our Shares (whether from an Exchange Resident, Exchange Non-Resident, another Foreign Investor or through a designated security company) or (ii) a Foreign Investor (who is an Exchange Non-Resident having acquired our Shares when he/she was an Exchange Resident) disposes of our Shares, the Foreign Investor would need to make a subsequent report (the "*Post Notification*") to The Bank of Japan by the 15th day of the month following the month in which the date of such subscription, acquisition or disposal occurs.

For subscriptions or acquisitions, there is an exemption from the Post Notification requirement if, as a result of the subscription for, or acquisition of, our Shares, the number of Shares held by that Foreign Investor would be less than 10% of our entire issued share capital. In other words, potential investors who are Foreign Investors are exempted from all notification requirements under the Foreign Exchange Regulations if they are (i) residents of, or corporations organised under the laws of, the Exempted Jurisdictions, which include Hong Kong, and (ii) holders of such number of Shares representing less than 10% of our entire issued share capital.

If a Foreign Investor failed to make the Post Notification, or if the Post Notification contains a misstatement, it shall be an offence punishable by imprisonment for not more than six months or by a fine of not more than ¥500,000, or both. Where a Foreign Investor is a corporation, the representative person of such Foreign Investor such as a director, agent or employee, may be imprisoned for not more than six months or fined not more than ¥500,000, or both.

Where necessary, the Post Notification will be filed by our Company on behalf of each Foreign Investor, except where a Foreign Investor acquires our Shares from an Exchange Resident, in which case such Exchange Resident should file the Post Notification on behalf of the Foreign Investors. The obligations of the Foreign Investors are limited to the duty of providing certain information to our Company or the relevant Exchange Resident (as the case may be) as prescribed under the Foreign Exchange Regulations.

Where a Foreign Investor has made the Post Notification, such Foreign Investor is not required to notify The Bank of Japan upon disposal of our Shares, except under the circumstances (i) where the Foreign Investor acquires our Shares when he/she is an individual Exchange Resident and disposes of our Shares after he/she becomes an Exchange Non-Resident or (ii) as described in the paragraphs headed "— Foreign Exchange Report" below.

(iv) Foreign Exchange Report

Where an Exchange Resident acquires our Shares from an Exchange Non-Resident, or where an Exchange Resident transfers our Shares to an Exchange Non-Resident, such Exchange Resident must make a subsequent report (the "*Foreign Exchange Report*") to The Bank of Japan within 20 days from the acquisition date or payment date, whichever comes later. There is an exemption from the requirement if:

(i) the purchase price of the relevant Shares is no more than ¥1 million; or

(ii) the acquisition or transfer is effected through any securities firm/bank or other entity prescribed under the Foreign Exchange Regulations as an agent or intermediary.

If an Exchange Resident fails to make the Foreign Exchange Report, or if the Foreign Exchange Report contains a misstatement, such Exchange Resident will be punishable by

imprisonment for not more than six months or by a fine of not more than ¥500,000, or both. Where an Exchange Resident is a corporation, the representative person of such Exchange Resident such as a director, agent or employee, may be imprisoned for not more than six months or fined not more than ¥500,000, or both.

The Foreign Exchange Report is filed by the Exchange Resident. Under the Foreign Exchange Regulations, the Exchange Non-Resident is not under a duty or obligation to file Foreign Exchange Report and will not be subject to any penalties for failure to file the Foreign Exchange Report.

CCASS Beneficial Owners

Due to the inherent characteristics of CCASS, our Company is not able to ascertain the identity, and consequently the citizenship, of the CCASS Beneficial Owners. In addition, our Company does not have the capacity to ascertain the individual shareholding percentage of the CCASS Beneficial Owners. Consequently, Foreign Investors looking to hold their investments through CCASS are requested to notify our Company by writing to our headquarters in Japan or our principal place of business in Hong Kong prior to making their investment if (i) they are not citizens of an Exempted Jurisdiction (which includes Hong Kong); or (ii) their prospective shareholding interest in our Company exceeds 10% of our entire issued share capital.

Our Japan Legal Adviser has confirmed that the responsibility and obligation (where relevant) for filing the Post Notification, the Prior Notification, the Post Reporting and Post-disposal Notification is on the CCASS Beneficial Owners, instead of HKSCC Nominees. Under no circumstances would HKSCC Nominees accept any responsibility or liability for failure, on the part of the Foreign Investors, to file the Post Notification and the Prior Notification.

Foreign Investors are advised to consult their professional advisers before subscribing for, or acquiring or disposing of, our Shares as to the applicability of the Prior Notification, Post Notification, and Foreign Exchange Report requirements.

11. ANTI-MONOPOLY DISCLOSURE REQUIREMENTS

When a corporate investor that fulfils certain criteria, such as domestic turnover prescribed by the Anti-Monopoly Act* (独占禁止法) (Act No. 54 of 1947), acquires shares exceeding 20% or 50% of voting rights, the corporate investor is required to file a report to Japan Fair Trade Commission prior to such acquisition.

12. FINANCIAL INSTRUMENTS AND EXCHANGE ACT

Although our Shares are not listed on a securities exchange in Japan or traded through the over-the-counter market in Japan, under Japan law, if our Company (i) has at least 1,000 registered Shareholders as at the end of any financial year or (ii) files a securities registration statement pursuant to the Financial Instruments and Exchange Act* (金融商品取引法) (Act No. 25 of 1948) (the "*FIEA*") in relation to a public offering* (募集) or a secondary offering* (売出) of

Shares in Japan, the ongoing disclosure requirements (mainly, periodic filing requirements, including the requirement to file an annual report, and filing of a current report* (臨時報告書) whenever any unscheduled material event occurs that may be important to Shareholders) and tender offer* (公開買付) rules under the FIEA will generally be applicable to our Company and/or our Shareholders.

Our Company currently has no current plan to file a securities registration statement under the FIEA and the requirements under the FIEA are expected to continue to be non-applicable to our Company and our Shareholders.