B. FOREIGN LAWS AND REGULATIONS

Part A of this Appendix set out a summary of certain provisions of our Articles, the Companies Act, certain TSE Listing Regulations and certain other Japanese laws and policies that may be relevant to investors. As the information contained below is in summary form, it does not contain all of the information that may be important to potential investors. Unless otherwise specified, there are no material provisions relating to the specific topics noted in Part A under our Articles, the Companies Act, the TSE Listing Regulations or other laws and policies (as the case may be).

Part B of this Appendix sets out a comparison of the applicable laws and regulations in Hong Kong and Japan on each of the key shareholder protection standards as set out in the Joint Policy Statement, as well as certain shareholder protections provided under the Listing Rules and the measures taken by us to address the differences, where applicable, between the relevant laws and regulations of Hong Kong and Japan.

PART A. SUMMARY OF JAPANESE LEGAL AND REGULATORY MATTERS

1. BACKGROUND

The Company was incorporated in Japan as a stock company ("*kabushiki kaisha*") on May 8, 1963. The Articles of Incorporation comprise the Company's constitution. The provisions normally set out in the memorandum of association and 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 Companies Act.

The Articles of Incorporation of our Company were executed by the incorporator of our Company and certified by a notary public on or around the date of the incorporation. The Articles of Incorporation have been amended from time to time. The current Articles of Incorporation were last amended on November 26, 2009. An English translation of the Articles of Incorporation is available for inspection at the location specified in "Appendix VIII — Documents Available for Inspection" in the Listing Document.

2. SUMMARY OF GENERAL PROVISIONS WITH RESPECT TO CORPORATE MATTERS

(a) Objects of our Company

Under our Articles:

The Articles of Incorporation of our Company set out detailed and exhaustive lists of the purposes for which the Company was formed, though they also allow our Company to undertake any business activities that are not explicitly stated in the Articles.

(b) Form of Company

Under our Articles:

Our Company was formed as a stock company (*kabushiki kaisha*) with a Board of Statutory Auditors.

Under the Companies Act:

Companies are categorized into stock companies (*kabushiki kaisha*) and partnership-type companies (*mochibun kaisha*). A partnership-type company is a generic concept that embraces so-called personal companies (*jinteki kaisha*) (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 organization is recognized), such as a partnership company (*gomei kaisha*), a limited partnership company (*goshi kaisha*) and a limited liability company (*godo kaisha*).

Companies are also categorized into public of non-public companies, and large or other companies. A public company (*kokai kaisha*) 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 (*kabushiki joto seigen kaisha*) is a company where regarding each class of stock issued by it, transfer of any share is restricted under the articles of incorporation. Our Company is categorized 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 (*daigaisha*). There are certain differences in governance between large companies and other companies. Our Company is categorized as a large company. Under the Companies Act, a company may select several types of corporate governance structures.

Under the TSE Listing Requirements:

A listed company is required to be either (i) a company with a board of statutory auditors or (ii) a company with three committees. As noted above, our Company is a company with a Board of Statutory Auditors.

(c) Matters with respect to share capital, share certificates and Share Acquisition Rights (*shinkabu yoyakuken*)

Under our Articles:

The total shares most recently authorized by our Shareholders to be issued by our Company is 900,000,000 Shares (as at March 1, 2023). Our Company has adopted the unit share system (as described below) under which each unit will represent 100 Shares. Our Company is a Company Not Issuing Share Certificates (as also described below). The Company has only one class of shares.

Under the Companies Act:

With respect to share capital:

The share capital of a company is divided into shares. The amount of share capital is the amount paid in by those who are to become shareholders at the time of the establishment of the company, or the issuance of shares. Up to half of this amount is not required to be capitalized, but this amount has to be kept as a capital reserve. The amount of the share capital is subject to registration. The Companies Act permits a company to issue shares with specified rights that are not held by all shares.

With respect to share certificates:

The Companies Act defines a "Company Issuing Share Certificates" 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. A company which does not have provisions in its articles of incorporation to the effect that a share certificate represents its shares will be hereinafter referred to as a "Company Not Issuing Share Certificates".

In addition, under the Book-Entry Act and the listing rules of stock exchanges, a company listed on the Japanese stock exchange may not issue share certificates. The Shares of our Company are listed on

the TSE, and the Company does not issue any share certificates. Under the 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 set by its articles of incorporation. One unit of shares cannot exceed 1,000 shares. Shareholders who hold shares below a unit are entitled to require the company to purchase these shares.

With respect to Share Acquisition Rights (shinkabu yoyakuken):

The 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.

In order to offer a SAR, certain details need to be approved by a special resolution of the shareholders' meeting, including: (i) its details and number; (ii) whether it is issued in a gratuitous manner or not; and, (iii) if not, the amount of payment or the method of its calculation, etc. However, for public companies such as our Company, the board of directors may make this decision with certain exceptions described below.

If SARs are issued in a gratuitous manner and they comprise an especially favorable term to the subscriber, or if the issue price is especially favorable to the subscriber, the board of directors must explain why the SARs need to be issued in such a manner at the shareholders' meeting. For public companies, the terms of such issuance must be reported at the general shareholders' meeting and approved by a special resolution in such cases. According to a case decided by the Tokyo District Court on June 30, 2006, whether or not the issuance of SARs is made at an "especially favorable price/ especially favorable conditions" is determined based on the price of the SARs at the time of issuance, 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 ("**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 favorable." SARs may be issued to the existing shareholders with or without consideration. In such cases, shareholders are entitled to subscribe to the share acquisition rights in proportion to their shareholding.

(d) Matters relating to Directors

(i) Powers of the Board of Directors generally:

Under the Companies Act:

The board of directors (except in companies with three committees within the board of directors) has the power to:

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

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

- disposal or acquisition of significant assets;

- borrowing of a large amount;
- appointment and dismissal of important employees;
- establishment, change, and abolition of branches and other organizational units;
- significant matters involving the issuing of bonds;
- introduction of a system to ensure compliance of directors carrying out duties with the law and the articles of incorporation; and
- discharge of liabilities of managements, including directors and statutory auditors, in accordance with the Companies Act and its articles of incorporation

(ii) Power to issue and allot shares

Under our Articles:

Although there are no specific provisions, the Articles provide the total shares authorized to be issued by the Company (which was 900,000,000 Shares as at March 1, 2023).

Under the Companies Act:

Subject to certain exceptions, our Company may issue and allot Shares to any party by resolution of the Board of Directors.

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

Under the Companies Act:

A Representative Director or a Director who is authorized to execute certain operations has the power to dispose of the assets of our Company unless such assets are "significant assets" (whether an asset is considered significant is determined by, among other things, its value as compared to the company's assets as a whole, its purpose and the frequency of such transactions) of our Company. Alternatively, neither the Directors nor the Board of the Directors of the Company have the power to dispose of any assets of any subsidiary of our Company.

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

Under the Companies Act:

A Director dismissed by a resolution of the Shareholders in general meeting is 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 the Companies Act:

Loans and the giving of securities for loans to directors are not prohibited. However, if our Company makes loans to its Directors or gives security for loans to Directors, prior approval of the Board of Directors is required.

(vi) The granting of financial assistance to purchase shares of our Company or our holding Company

Under the Companies Act:

There is no specific restriction under the 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, if a company's act of financial assistance to another person is deemed to equate to an acquisition of Treasury Stock by the company for the account of the company, the regulations concerning the repurchase of its shares (noted in paragraph (m) below) apply to that act. Although there are no established rules as to what constitutes an "acquisition for the account of the company," in general, this should be determined from a comprehensive review as follows:

(i) terms of the financial assistance by the company to another person such as the creditworthiness of the person and collectability of the receivables including the collateral and interest;

(ii) whether or not the terms of the purchase of, or subscription for, a company's shares (including the selection of the person from whom the shares are purchased, the price of the shares, and the timing of the purchase) are determined by that company's decision; and

(iii) whether or not the control over the acquired shares in the company (including the authority to dispose of the shares and the right to receive dividends of surplus) belongs to that company.

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

Under the Companies Act:

If a Director is interested in any contract to be entered into by our Company, the disclosure to the Board of Directors of all material information regarding the transaction is required. 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 the Companies Act:

Financial benefits received from a company as consideration for the execution of duties, such as compensation and bonuses of directors is determined by a resolution of the shareholders' meeting. The total amount of the directors' compensation may be determined by the resolution of a shareholders' meeting and each director's compensation may be determined by the board of directors or a director who has been authorized to determine it.

(ix) Composition of the Board of Directors; retirement, appointment and removal of Directors and committees of the Board

Under our Articles:

Our Company must have no less than three Directors and no more than ten Directors. The cumulative voting system for the election of Directors is excluded and the term of office of a Director will

end at the close of an annual general shareholders' meeting unless such Director is re-elected. The Representative Director shall be appointed by a resolution of the Board of Directors.

Under the Companies Act:

General:

It is mandatory for each company to have a director. Public companies, companies with three committees, and companies with a board of statutory auditors must have a board of directors. In these companies, there must be at least three directors. The board of directors must appoint representative directors from among the directors. Representative directors are empowered to carry out all judicial and extra-judicial acts involving the business of the company.

Appointment:

Directors must be appointed or dismissed on an annual basis at our annual general Shareholders' meeting. Shareholders representing over one-third of the votes need to be present, and an ordinary resolution of shareholders' meeting 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 excluded by the articles of incorporation. In almost all listed companies, including our Company, it is excluded.

Term of office:

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 two years 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.

Qualifications of directors:

Certain persons such as a legal person may not become a director of a company. However, a public company may not limit the qualifications of directors by requiring such directors to be one of its shareholders.

Dismissal:

Directors can be dismissed any time at the general shareholders' meeting by an ordinary resolution. for companies that have issued shares with a veto right regarding the dismissal of directors, such dismissal must also be approved at the meeting of shareholders of this class. In companies with shares to appoint a certain number of directors, dismissal of such directors so appointed requires the approval of this class of shareholders.

Under the TSE Listing Regulations:

Under the TSE Listing Regulations, a domestic company listed on the TSE must establish and appoint (i) a board of directors; (ii) a board of auditors or the three committees (meaning a committee specified in the Companies Act, including a nomination committee, an audit committee and a remuneration committee); and (iii) accounting auditors. For the protection of general investors, the TSE Listing Regulations also require a domestic listed company on the TSE to appoint at least one independent director/auditor or outside auditor who is unlikely to have conflicts of interest with general investors.

(x) Proceedings at Directors' meetings

Under our Articles:

The chairman of the Board of Directors (or a Director determined in advance by the Board of Directors) shall convene a meeting of the Board of Directors and shall act as the chairperson of the meeting. Notice of the convocation of a meeting of the Board of Directors shall be sent to each Director and Statutory Auditor at least three days prior to the scheduled date of such meeting; however, such period may be shortened in cases of urgency, and the notice period may be set aside if all Directors and Statutory Auditors consent. A resolution of the Board of Directors shall be made by a majority of the Directors present at a meeting where the majority of the Directors entitled to participate in votes are present. The Directors may also pass written board resolutions by way of unanimous vote.

(xi) Borrowing powers

Under the Companies Act:

A representative director or a director who is authorized to execute certain operations has the power to determine the execution of any such operation such as borrowing unless such borrowing is of a large amount (taking into account, among other things, the amount compared to the value of the Company as a whole, its purpose and the frequency of such borrowings).

(xii) Qualification shares

No specific provisions under the Articles, the Companies Act or the TSE Listing Regulations.

(xiii) Indemnities granted in favor of Directors

Under our Articles:

Our Company may discharge our Directors from liabilities owed to our Company by way of a resolution of a shareholders' meeting or a resolution passed in a meeting of the Board of Directors, or our Company may enter into an agreement with an external Director to the effect that his or her liability for damages shall be limited. If our Company enters into an indemnity with an external Director (being a director who has never been a representative director, an executive director, an executive officer or an employee of Group) then the maximum cap on his liability must be ¥5,000,000 (or such higher amount provided under Japanese law).

Under the Companies Act:

As described above.

(xiv) Directors' duties

Under the Companies Act:

There is a mandate relationship between the company and the officers (the directors, the accounting adviser, and statutory auditors). As such, directors and others have a duty to act as good managers. Directors owe a fiduciary duty vis-à-vis the company: i.e., the duty to comply with the law, articles of incorporation, and the resolutions of the general shareholders' meeting, and loyally carry out their duties.

(e) Alterations to our Articles

Under the Companies Act:

Our Company may amend our Articles by a special resolution of our Shareholders in general meeting.

(f) Alterations to capital

Under the Companies Act:

Increases and reductions:

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 general meeting. However, where the share capital is reduced in order to cover the deficit, an ordinary resolution at the annual shareholders' meeting will suffice. When reducing the share capital (and the reserves), a procedure to protect the interests of creditors needs to be followed. The company must publicize 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 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, or gratuitous allocation; provided that, although treasury stock may be allotted to shareholders, any such gratuitous allocation will not accrue to any treasury stock. A company may at any time also consolidate its shares into a smaller number of shares by a special resolution of the general meeting of shareholders.

(g) Variations of rights of existing shares or classes of shares

Under the Companies Act:

A company is required to amend its articles of incorporation by way of special resolution in order to change the rights of our existing ordinary shares or to issue new classes of shares.

(h) Matters with respect to Shareholders' meetings and voting requirements

Under our Articles:

Ordinary Resolutions:

There is no specific quorum requirement for meetings at which ordinary resolutions are passed. An ordinary resolution must be passed by a majority of the voting rights of the Shareholders present and entitled to vote at the relevant meeting.

Special Resolutions:

A special resolution shall be passed if (1) Shareholders having one-third or more of the outstanding voting shares of the Company vote at the shareholders' meeting and (2) two-thirds or more of Shareholders vote in favor of the transaction.

Under the Companies Act:

General:

The shareholders' meeting is empowered to decide upon matters provided for in the Companies Act as well as all matters concerning, among other things, the organization, management and administration of the company. In companies with a board of directors, the general shareholders' meeting is empowered to decide only upon matters provided for in the Companies Act and in the articles of incorporation.

Ordinary and special resolutions:

In an ordinary resolution, the resolution shall be made by a majority of the voting rights of the shareholders present who are entitled to exercise their voting rights. Shareholders representing more than half of the votes need to be present. Quorum can be set by the articles of incorporation. In a resolution to appoint or dismiss directors or statutory auditors, 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 thirds (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. A special resolution is required in certain matters, including:

- reverse stock split;
- issuance of new shares at a particularly favorable subscription price;
- issuance of share acquisition rights at a particularly favorable subscription price or particularly favorable conditions;
- 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 (*jigo-setsuritu*);
- merger;
- corporate split;
- share exchange and share transfer;
- assignment of the entire business or a significant part of the business; and
- dissolution of the company.

The requirements under the Companies Act in respect of the requirements relating to ordinary and special resolutions have been modified by operation of our Company's Articles as described above. See also "6. Transactions Requiring Shareholder Approval" in the Listing Document.

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

Under the 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, (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 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 shareholders' 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 shareholders' meeting.

Under the 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 and/or statutory auditors 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 jeopardized 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 and/or statutory auditors 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 and/or statutory auditors 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). HDR Holders holding 10,000 or more HDRs who wish to speak or demand a poll at Shareholders' meetings themselves will need to withdraw and convert at least 10,000 HDSs into Shares and become registered as Shareholders at the Shareholders' registry of the Company. Once the HDSs are converted into Shares, the Shares will automatically be listed on the TSE.

We have adopted the unit share system, under which each unit will represent 100 Shares. All unit holders holding a unit representing 100 Shares are entitled to one vote at a general meeting. Accordingly, 10,000 HDRs (i.e. equivalent to one unit of 100 Shares) will constitute one vote at a general meeting. All HDR Holders holding one HDR are entitled to one vote at the HDR level. HDR Holders may give voting instructions to the Depositary before a general meeting and the Depositary will vote for and on behalf of the HDR Holders (on a collective basis) at a general meeting in accordance with the terms of the Deposit Agreement. See "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 2. Summary of General Provisions with respect to corporate matters — (i) Voting rights, right to demand a poll and right to speak" and "Risk Factors — Risks Relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders are not Shareholders and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders" in the Listing Document. See the sections headed "Listing, Terms of Depositary Receipts and Depositary Agreements, Registration, Delistings and Settlement — Terms of HDRs — Voting Rights" and "Risk Factors — Risks Relating to the Introduction, the Secondary Listing and the HDRs — HDR Holders are not Shareholders and must rely on the Depositary to exercise on their behalf the rights that are otherwise available to the Shareholders" in the Listing Document.

(j) Requirements for AGMs

Under our Articles:

The AGM of our Company must be convened within three months after the day following the last day of each financial year by a resolution of the Board of Directors. A chairman of the Board of Directors (or a Director determined in advance by the Board of Directors) is required to convene the meeting and act as the chairperson at that meeting. Our Company may also, when convening a meeting, use the Internet to disclose information relating to matters to be provided or indicated as reference materials for the meeting.

Under the Companies Act:

A company is required to convene an annual shareholders' meeting within three months after the end of each financial year and must send a convocation of the AGM at least 14 days before the meeting.

(k) Notices of Shareholders meetings and business to be conducted thereat

Under the Companies Act:

Notice of convocation of a shareholders' meeting setting forth the time, place, purpose thereof and certain other matters set forth in the Companies Act and relevant ordinances, together with business report 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 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.

(l) Transfers of Shares

Under our Articles:

No specific provisions. Our Company's shares are freely transferable.

Under the Companies Act:

In principle, shares are freely transferable, but companies may place a restriction on the transfer of shares, for example, by making such transfer subject to the approval of the company. Transfer can be restricted to all the shares, or to a specific class of shares. Shares listed on a Japanese stock exchange are required to be freely transferable according to their relevant listing rules and our Company has not placed any transfer restriction on our Shares.

Transfer of shares in a Company Issuing Share Certificates shall not become effective unless the share certificates representing the shares are delivered; however, this does not apply to the transfer of shares arising out of the disposition of Treasury Stock (meaning shares in a company owned by that company itself). The subscriber for Treasury Stock in a Company Issuing Share Certificates becomes the shareholder of the shares on the day when the subscriber has paid contribution for the shares. The transfer of shares in a Company Issuing Share Certificates 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 shareholder registry.

Transfers of shares in a Company Not Issuing Share Certificates will become effective by the parties manifesting their intention to do so, and the transfer of shares will not be perfected against the company and other third parties unless the name and address of the person who acquires those shares is stated or recorded in the shareholder registry. Where Treasury Stock are disposed of, the subscriber for Treasury Stock in a Company Not Issuing Share Certificates will become the shareholder of the shares on the day when the subscriber has paid contribution for the shares.

If the Book-Entry Act applies to a company (for example, it applies to listed shares of companies listed on Japanese stock exchanges such as our Company), any transfer of shares becomes effective only through book-entry, and the title to the shares passes to the transferee at the time when the transferred number of shares is recorded in the transferee's account opened at an account managing institution, which may be a financial instrument trader (i.e. a securities firm), bank, trust company or other financial institution that meets the requirements prescribed by the Book-Entry Act.

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

Under our Articles and the Companies Act:

Our Company may repurchase our Shares by a resolution of the general meeting of its Shareholders. In certain cases, our Company may also do so by way of a resolution of the Board of Directors.

Under the Companies Act:

Shares can be purchased from shareholders with their consent (i) from the market, (ii) via the tender offer procedure as provided by the FIEA, (iii) from all shareholders, or (iv) from a specific shareholder.

With respect to cases (i) and (ii) above, companies with a board of directors may, by the decision of the board of directors if the articles of incorporation allow, repurchase shares from the market or via the takeover bid procedure as provided by the FIEA. If the shares are repurchased from all shareholders (case (iii) above), an ordinary resolution of a shareholders' meeting is sufficient (listed companies however may not use this method of repurchase according to the FIEA and are required to conduct the takeover bid procedure). If the purchase is from a specific shareholder (case (iv) above), a special resolution of a shareholders' meeting is required. In case (iv) above, the name of this shareholder needs to be disclosed and approved at a general shareholders' meeting. Other shareholders are entitled to ask the company to include them as a seller, with certain exceptions. The source of funds for carrying out the share repurchase is restricted to the Distributable Amount (as defined in (o) below).

(n) Power of any subsidiary to own securities in our Company

Under the Companies Act:

Our subsidiaries may not acquire our Shares, subject to certain exceptions, such as their acquisition of them through Statutory Transactions governed by the Companies Act. Under the Companies Act, if any of our subsidiaries acquires our Shares through such a transaction, it would not be entitled to vote at any shareholders' meeting and is required to dispose of the acquired Shares at the earliest and most advantageous time.

(o) Dividends and other methods of distribution

Under our Articles:

Our Company is entitled to pay out dividends from surplus by a resolution passed at a shareholders' meeting and, in certain cases, may also do so by a resolution of Board of Directors (provided the Accounting Auditors provides an audit certificate and there are no qualifications to the Accounting Auditors report). Our Company is released from any obligation to pay dividends which have not been claimed after the lapse of three full years from the day on which such payment was made available. Further, the record dates for the payment of annual dividends and interim dividends are the last day of August and February of each year respectively (although the Company is also entitled to pay dividends from surplus by setting a record date).

Under the Companies Act:

Under the Companies Act, the distribution of dividends takes the form of the distribution of surplus and the distribution of surplus may be made in cash and/or in kind, with no restrictions on the timing and frequency of such distributions. In order to pay out dividends, an ordinary resolution of a shareholders' meeting is required. In companies that (i) have Accounting Auditors, (ii) where the term of directors terminates on or prior to the close of the general meeting of shareholders relating to the last fiscal year ending within one year from the election of the director, and (iii) which have a board of statutory auditors or three committees (being a remuneration committee, nomination committee and audit committee), matters regarding the payout of cash dividends can be delegated to the board of directors by the articles of incorporation.

Dividends can be paid out from the distributable amount which is determined in accordance with the Companies Act (the "**Distributable Amount**"). Distributable Amount is the aggregate amount of other capital surplus and other retained earnings surplus at the end of the last fiscal year with a certain adjustment deducted by a certain amount such as the book value of the treasury stock. When paying dividends, the smaller amount of (i) 10% of the surplus so distributed, or (ii) an amount equal to one quarter of its share capital less the aggregate amount of capital reserve and profit reserve as at the date of such distribution needs to be set aside either as capital reserve or profit reserve until the aggregate amount of its capital reserve or profit reserve reaches one quarter of its share capital.

If the net assets of a company are less than ¥3 million, the company cannot pay dividends.

If the company paid dividends while the company did not have a Distributable Amount, directors and others responsible for the payment are under an obligation to pay back the company the amount paid out, unless that person proves that he was not negligent in carrying out his duties.

(p) Proxies

Under our Articles:

A Shareholder may exercise his or her voting rights by proxy through another Shareholder who has voting rights in our Company. In this case, the Shareholder or his or her proxy must submit a document proving such authority to the Company at each shareholders' meeting.

Under the Companies Act:

Exercise of voting rights by a proxy is permitted under the Companies Act.

(q) Calls of shares and forfeiture of shares

Under the 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 of the shareholders' in 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 Companies Act provides that in general, such shareholders who object to such a special resolution are entitled to receive the fair market value of such forfeited Shares from the relevant company.

(r) Inspection of register of members

Under our Articles:

No specific provisions. However, pursuant to the Articles our Company, we have entrusted the administration of our shareholder register to our shareholders register administrator, Mitsubishi UFJ Trust and Banking Corporation.

Under the Companies Act:

A company must keep the shareholder registry at its head office (or, in cases where there is a shareholder registry administrator, at its business office). Shareholders and creditors may make a request to inspect or copy the shareholder registry at any time during the company's business hours by giving reasons. The company is not entitled to refuse the request unless (i) the shareholder or creditor makes this request to pursue goals other than the investigation for the protection or exercise of his or her rights, (ii) the shareholder or creditor makes this request to obstruct the company's execution of business and to harm the joint interests of shareholders, (iii) the shareholder or creditor is in a business substantially in competition with the company, or is involved in the business, (iv) the shareholder or creditor makes the request in order to report facts to third parties for profit, knowledge of which is acquired by inspecting or copying the shareholder registry, or (v) the shareholder or creditor is a person who has reported facts, knowledge of which was acquired by inspecting or copying the shareholder registry, 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 or she may, with the court's permission, make the request stated above with respect to the shareholder registry. In such cases, the reasons for the request must be disclosed.

(s) Inspection of register of Directors

Under the Companies Act:

There is no concept of a "register of directors" under Japanese law. However, the name of each Director and the name and address of the Representative Director are registered in the commercial register in accordance with the Companies Act.

(t) Inspection of other corporate records

Under the Companies Act:

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 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 joint 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 or she may, with the court's permission, make the request stated above with respect to the account books or materials relating thereto. In those cases, the reasons for the request shall be disclosed.

Commercial register:

A stock company is required to register certain matters such as (i) the purpose of the company, (ii) its trade name, (iii) the location of the company, (iv) its share capital, (v) the total number of authorized shares, (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 shareholder registry (if any), (x) the matters regarding share acquisition rights, (xi) the names of directors, (xii) the names and addresses of representative directors, (xiii) if the company is a company with a board of directors, a company with Accounting Auditors, a company with statutory auditors, and/or a company with a board of statutory auditors, a statement to that effect, (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 outside 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 acquisitions and disposals are also registered.

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

(u) Procedures on dissolution and liquidation

Under the Companies Act:

Dissolution:

A company may dissolve itself by adopting a special resolution at a shareholders' 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 stock company by default, unless otherwise provided for in

its articles of incorporation or determined by a resolution at the shareholders' 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 directors before the dissolution.

(v) Amendments of Articles

Under the Companies Act:

A company may amend its articles of incorporation by a special resolution of a shareholders' meeting, as a rule.

(w) Untraceable members

Under the 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.

(x) Statutory Auditors

Under our Articles:

Our Articles specifically provide that our Company will have Statutory Auditors, a Board of Statutory Auditors and an Accounting Auditor, and that our Company must have at least three Statutory Auditors but no more than five Statutory Auditors. The Statutory Auditors of our Company may be elected by the passing of a resolution by a majority of shareholders holding at least one-third of the voting rights of the Company. Their remuneration must also be similarly approved. Statutory Auditors are appointed for a four year term and at least one of them must be a full-time Statutory Auditor. Statutory Auditors have the same rights to receive indemnification as the Directors. Notice of the convocation of a meeting of the Board of Statutory Auditors shall be sent to each Statutory Auditor at least three days before the scheduled date of such meeting; provided, however, such period may be shortened in cases of urgency, and the notice period may be set aside if all Statutory Auditors give their consent.

Under the Companies Act:

General:

Companies with a board of directors (except for companies with three committees) must have a statutory auditor. In addition, large companies must have a board of statutory auditors comprised of three or more statutory auditors.

Statutory auditors:

Statutory auditors are appointed and dismissed by the general shareholders' meeting. However, in order to dismiss a statutory auditor, a special resolution of the shareholders' meeting is required. The term of office of a statutory auditor terminates at the close of the general meeting of shareholders relating to the last fiscal year ending within four years from the election of the statutory auditor. However, such term may not be shortened even by the articles of incorporation.

Statutory auditors are responsible for auditing the executive actions of the directors, including ensuring the continuance of a sound corporate governance system, and additionally they have broad authority to oversee the company's audit functions, including: independently reviewing corporate documentation and financial statements; sharing information with, coordinating with and interviewing the Accounting Auditors; and dealing with any issues arising from the company's audit. In order to fulfill such responsibilities, the statutory auditors are given various authorities, such as the right to request that directors report to them regarding the company's business, the right to investigate the company's business and assets, and the right to demand that directors cease certain acts which are outside the scope or the purpose of the company, in violation of laws and regulations, or the articles of incorporation, if such acts are likely to cause substantial detriment to the company.

The Companies Act provides exemptions from liability for statutory auditors similar to those available to directors.

The compensation and other benefits for statutory auditors are determined by a resolution of a shareholders' meeting.

Board of statutory auditors:

The board of statutory auditors functions to facilitate the conduct by the statutory auditors of their duties and enables them to share information, allocate responsibilities among themselves and to determine auditing policy and their methods of investigation. In addition the board of statutory auditors is given the authority to consent to the appointment of statutory auditors and Accounting Auditors, and is required to prepare audit reports which are subject to inspection by shareholders and creditors. More specifically, the board of statutory auditors receives explanations from the company's Accounting Auditors on the company's annual auditing plan and other matters based on the annual audit report, when financial statements for the second quarter and full fiscal year are prepared.

The board of statutory auditors elects full-time statutory auditors from among its members.

3. SUMMARY OF DISCLOSURE REQUIREMENTS

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 in the event that such electronic distribution is impossible.

Under the TSE Listing Regulations:

To ensure the formation of fair market prices and to foster the sound development of a securities market, the TSE requires companies whose shares are listed on them to disclose in a timely manner all material information concerning corporate matters that may influence the investment decision making of investors under the TSE Listing Regulations.

The following is a summary of the matters that must disclosed by a listed company under the TSE Listing Regulations. In each case they need to be disclosed immediately pursuant to the provisions of the enforcement rules of the TSE Listing Regulations (unless they are items that the TSE deem as matters whose effect on investors' investment decisions is of minor significance). The scope of the necessary disclosure obligations imposed by the TSE Listing Regulations are substantially the same.

Decisions taken by a listed company (including where decisions are taken to not carry out the matters relating to the relevant decision):

(a) An offering of shares issued by a listed company or Treasury Stock to be disposed of by a listed company to persons who will subscribe for such shares, an offering of subscription warrants, or a secondary offering of shares or subscription warrants;

(b) Shelf-registration (including its withdrawal) concerning to an offering or secondary offering prescribed in (a) above or commencement of a demand survey for such offering or secondary offering;

(c) A decrease in amount of capital;

(d) A decrease in amount of capital reserve or profit reserve;

(e) Repurchase of Shares;

(f) A gratis allotment of shares or a gratis allotment of subscription warrants, or shelf-registration concerning to a gratis allotment of subscription warrants (including its withdrawal) or commencement of surveys on demand or expected exercise of rights for such gratis allotment of subscription warrants;

(g) Stock split or reverse stock split;

(h) Dividend from surplus;

(i) Share exchange;

(j) Share transfer;

(k) Merger;

(l) Demerger;

(m) Transfer or acquisition of all or part of the business;

(n) Dissolution (excluding dissolution by means of a merger);

(o) Commercialization of a new product or new technology;

(p) Business alliance or dissolution of business alliance;

(q) A transfer or acquisition of shares or equity interest leading to an entity becoming or ceasing to be a subsidiary;

(r) Transfer or acquisition of fixed assets;

(s) Lease of fixed assets;

(t) Suspension or abolition of all or part of the business;

(u) Application for delisting or withdrawal of registration of Shares to a Japanese stock exchange or an overseas stock exchange;

(v) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;

(w) Commencement of a new business (including commercialization of sales of new products or provision of new services);

(x) A takeover bid;

(y) Request for a bid or any other onerous acquisition to compete with a takeover bid or an announcement of an opinion or a representation to shareholders concerning a takeover bid;

(z) Issue of subscription warrants to officers or employees of a listed company or its subsidiaries, or any other grant of anything deemed to be a Stock Option or an issue of shares;

(aa) Change in representative directors or representative executive officers (including officers who should represent a cooperative structured financial institution);

(ab) Rationalization such as a reduction in personnel;

(ac) Change in a trade name or a corporate name;

(ad) Change in the number of shares for a share unit of a stock or abolition or introduction of the provisions for the number of shares for a share unit;

(ae) Change in the end date of the business year;

(af) Petition pursuant to the provisions of the Deposit Insurance Act of Japan (Act No. 34 of 1971, as amended);

(ag) Petition for mediation in accordance with specified mediation procedures on the basis of the Act on Specified Mediation for Promoting Adjustment of Specified Liabilities, etc. of Japan (Act No.158 of 1999);

(ah) Early redemption of all or part of a listed bond, listed convertible bond or listed exchangeable corporate bond or convocation of a bondholders meeting and any other important matters relating to rights concerning a listed bond, listed convertible bond or a listed exchangeable corporate bond;

(ai) Matters accompanied by an increase in the total number of units of ordinary equity contributions;

(aj) Change in certified public accountants who prepare audit certification of financial statements, etc. or quarterly financial statements, etc. contained in a securities report or a quarterly report;

(ak) Putting notes on matters relating to the going concern assumption in financial statements, etc. or quarterly financial statements, etc.;

(al) Shareholder services will not be entrusted to a shareholder services agent approved by the TSE;

(am) Submission of internal control reports containing content to the effect that there is a material deficiency in the internal control system or that the evaluation result of the internal control system cannot be stated;

(an) Amendment to the articles of incorporation;

(ao) Change in contents and other schemes of a listed stock without voting rights, a listed stock with voting rights (limited to such stock issued by a company which issues multiple classes of stocks with voting rights), or a listed preferred stock (excluding a stock whose dividends are linked to a subsidiary); or

(ap) In addition to the matters referenced in (a) through to the preceding (ao), important matters related to operation, business or assets of such listed company or such listed stock, etc. which have a remarkable effect on investors' investment decisions.

Facts arising relative to a listed company:

(a) Damage arising from a disaster or damage which occurs in the course of business execution;

(b) Change in major shareholders;

(c) A fact which causes delisting of a specified security or options pertaining to a specified security;

(d) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;

(e) Where a petition for a provisional disposition order seeking suspension of a business or any other disposition corresponding thereto is made, or there is a judicial decision on such petition, or all or part of the procedures for such petition are completed without a judicial decision;

(f) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to these on the basis of laws and regulations by an administrative agency or accusation of violation of laws and regulations by an administrative agency;

(g) Change in controlling shareholders or other affiliated companies;

(h) Petition or notification for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings, or execution of an enterprise mortgage by a creditor or any person other than such listed company ("**Bankruptcy**");

(i) Dishonor of a bill or a cheque (limited to where the reason is a shortage of funds to be paid) or suspension of trading by a clearing house ("**Dishonor**");

(j) Petition for commencement of bankruptcy proceedings, etc. pertaining to a parent company;

(k) As a result of an occurrence of a Dishonor, Bankruptcy or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where accounts receivable, loans or other receivables or such guarantee obligations against such debtors;

(l) Suspension of trade with a main business partner (meaning a business partner with more than 10% of the total sales or of the total purchase amount in the previous business year; the same shall apply hereinafter) or suspension of trade with two or more business partners for the same reason or in the same period;

(m) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;

(n) Discovery of resources;

(o) Claim for suspension of issue of a stock or a subscription warrant or disposition of treasury stock by shareholders;

(p) Demand for convocation of a general shareholders' meeting by shareholders;

(q) Market value of all or part of the securities held (limited to securities listed on a domestic stock exchange other than a share of a subsidiary of such listed company) falls below book values as of the end of a business year or a quarterly accounting period (an amount of value calculated on the basis of the closing prices of a stock exchange on such day (where no such closing prices are available, the closing prices of a stock exchange on a preceding day)) (limited to where such listed company adopts cost method as an evaluation method of securities);

(r) Acceleration of obligations pertaining to a corporate bond;

(s) Convocation of a meeting of bondholders for a listed bond, listed convertible bond or listed exchangeable corporate bond and other important facts pertaining to rights of a listed bond, listed convertible bond or listed exchangeable corporate bond;

(t) Change in certified public accountants who prepare an audit certification, of financial statements, or quarterly financial statements, contained in a securities report or a quarterly report (excluding a case of disclosing the details pursuant to the provisions of the preceding item, where a body of a listed company which decides its business execution makes a decision on changing such certified public accountants, (including cases where the body makes a decision that it will not carry out matters pertaining to such decision));

(u) A securities report or a quarterly review report to which audit reports or quarterly review reports prepared by two or more certified public accountants or audit firms (including audit reports or interim audit reports pertaining to certification corresponding to audit certification by certified public accountants or audit firms) are attached is not expected to be submitted within the period specified in the FIEA or has not been submitted within such period (except cases where the company has disclosed that such report is not expected to be submitted within such period), was submitted after such disclosure had been made, or has received approval related to extension of such period;

(v) The fact that an audit report attached to financial statements, or a quarterly review report attached to quarterly financial statements has come to contain a "qualified opinion with exceptions" or "qualified conclusion with exceptions" of certified public accountants with making issues concerning a going concern assumption as exceptions, or an "adverse opinion", "negative conclusion", or a fact that "opinions are not expressed" or a fact "conclusions are not expressed" by a certified public accountant (in cases of a specified business company, these shall include a "qualified opinion with exceptions", an "opinion that interim financial statements, etc. do not provide useful information", and a fact that "opinions are not expressed" by a certified public accountant, etc. with making issues concerning a going concern assumption as exceptions);

(w) An internal control audit report regarding an internal control report has come to contain an "adverse opinion" or a fact that "opinions are not expressed";

(x) Where a notice of cancelling a shareholder services agent agreement is received, there is a likelihood that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE, or it has decided not to entrust that the shareholder services will not be entrusted to a shareholder services agent approved by the TSE; or

(y) In addition to the facts referenced in (a) through to the preceding (w), matters relating to operation, business or assets of such listed company or important matters related to a listed stock, etc. which have a remarkable effect on investors' investment decisions.

Decisions taken by subsidiaries, etc. of a listed company (including where decisions are taken not carry out the matters relating to such decision):

(a) Share exchange;

(b) Share transfer;

(c) Merger;

(d) Demerger;

(e) Transfer or acquisition of all or part of the business (unless, immediately after the transfer or acquisition, (i) net assets will not change by 30%, (ii) revenue will not change by 10%, (iii) current profit will not change by 30% and (iv) net profit will not change by 30%);

(f) Dissolution (excluding dissolution by means of a merger);

(g) Commercialization of a new product or new technology;

(h) Business alliance or dissolution of business alliance;

(i) Transfer or acquisition of shares or equity interest leading to an entity becoming or ceasing to be a subsidiary;

(j) Transfer or acquisition of fixed assets;

(k) Lease of fixed assets;

(l) Suspension or abolition of all or part of the business;

(m) Petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;

(n) Commencement of a new business;

(o) A takeover bid;

(p) Change in a trade name or a corporate name;

(q) Petition pursuant to the provisions of the Deposit Insurance Act;

(r) Petition of arbitration by specific mediation procedures on the basis of the law on specified mediation for promoting adjustment of specified obligations, etc.; or

(s) In addition to the matters referenced in (a) through to the preceding (r), important matters related to operation, business or assets of a subsidiary of such listed company which have a remarkable effect on investors' investment decisions.

Facts arising relative to subsidiaries, etc. of a listed company:

(a) Damage arising from a disaster or damage which occurs in the course of business execution;

(b) Where a lawsuit of a claim relating to property rights is raised or a judgment is made as to such lawsuit or all or part of the action pertaining to such lawsuit is completed without a judicial decision;

(c) Where a petition for a provisional order seeking suspension of a business or any other disposition corresponding to this is made or there is a judicial decision on such petition or all or part of the proceedings for such petition are completed without a judicial decision;

(d) Cancellation of a license, suspension of a business or any other disciplinary action corresponding to them on the basis of laws and regulations made by an administrative agency or accusation of violation of laws and regulations made by an administrative agency;

(e) Petition for the commencement of Bankruptcy proceedings, by a creditor or any other person other than such subsidiary;

(f) Dishonor;

(g) Petition for the commencement of Bankruptcy proceedings, pertaining to a sub-subsidiary;

(h) As a result of an occurrence of a Dishonor, Bankruptcy procedures, or a fact corresponding to these pertaining to a debtor or a main debtor concerning guarantee obligations, default of a right to obtain reimbursement against such main debtor is likely to occur where these are accounts receivable, loans or other receivables or such guarantee obligations against such debtors;

(i) Suspension of trade with a main business partner or suspension of trade with two or more business partners for the same reason or in the same period;

(j) Exemption of obligations or extension of a repayment deadline (limited to an extension that the TSE deems equivalent to exemption of obligations) by a creditor or assumption or fulfillment of obligations by a third party;

(k) Discovery of resources; or

(l) In addition to the facts referenced in (a) through to the preceding (k), important matters relating to operation, business or assets of such subsidiary which have a remarkable effect on investors' investment decisions.

Decisions taken by a linked subsidiary of a listed company / Facts arising relative to a linked subsidiary of a listed company:

(a) Where a body which decides the business execution of a linked subsidiary decides to carry out certain transactions with such linked subsidiary; or

(b) On the occurrence of certain events to a linked subsidiary.

Information concerning the settlement of accounts of a listed company:

(a) The details of the account settlement (annual and quarterly) using earnings reports *(kessan tanshin*) (Summary) or quarterly earnings reports *(kessan tanshin*) (Summary);

(b) Difference in estimated values newly calculated by a listed company or certain subsidiary of it compared to the last estimated values calculated by the listed company or the subsidiary with respect to sales, operating profits, ordinary profits or net income; or

(c) The details of an estimated value of dividend calculated by a listed company.

Although the TSE Listing Regulations provide an extensive list of disclosure requirements, the TSE Listing Regulations also require listed companies to disclose important matters related to the operations, business or assets of such a listed company or its listed stock which have a remarkable effect on investors' investment decisions. This broad disclosure requirement means that issuers listed on the TSE are required to announce any material events affecting them.

Corporate matters to be disclosed under the TSE Listing Regulations shall generally be carried out using Timely Disclosure Network ("**TDnet**"). TDnet is an electric disclosure system and information disclosed under the TSE Listing Regulations by a listed company must be made available for public inspection for five years from the date of disclosure through the TDnet database service, such inspection being subject to fees. If the TSE deems that a listed company has breached the provisions regarding timely disclosure, such company may be delisted.

4. CRITERIA FOR DELISTING

Under the TSE Listing Regulations:

A listed issuer on the TSE may be delisted based on its own application and also under certain conditions as set forth in the criteria for delisting stocks in the TSE Listing Regulations.

In particular, the TSE may delist a listed issuer if the listed issuer imposes restrictions on transfers of its shares or a security of the listed issuer ceases to be subject to the book-entry transfer operation of a designated book-entry transfer institution.

The TSE may also see fit to delist a listed issuer, among other things, in the event that:

(a) the listed issuer commits a material breach of the TSE Listing Regulations;

(b) the number, market capitalization or public float of shares falls below the prescribed level;

(c) the issuer has liabilities in excess of assets as of the end of the business year and the liabilities in excess of assets are not cleared within a year;

(d) the issuer suspends its business activities; or

(e) the TSE deems that delisting of the securities is appropriate for the public interest or the protection of investors.

5. PROTECTION OF MINORITY SHAREHOLDERS

Under the Companies Act:

Rights to demand that directors call a shareholders' meeting:

Shareholders holding shares consecutively for the preceding six months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than three hundredths (3/100) (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders may demand that the directors, by illustrating the matters which shall be the purpose of the shareholders' meeting (limited to matters on which the shareholders may exercise their votes) and providing the reason for the calling of the shareholders' meeting.

In cases where (i) the calling procedure is not effected without delay after the demand stated above or where (ii) a notice is not dispatched for the calling of the shareholders' meeting which designates, as the day of the shareholders' meeting, a day falling within the period of eight weeks (or, where any period less than that is provided for in the articles of incorporation, that period) from the day of the demand, the shareholders who made the demand may proceed to call the shareholders' meeting with the court's permission.

Rights to demand that directors add certain new matters to the agenda of a shareholders' meeting or to include a proposal in connection with a matter in the agenda stated in a convocation notice:

For a company with a board of directors such as our Company, shareholders may demand that the directors include certain new matters to the agenda of a shareholders' meeting and/or demand that the directors include a proposal in connection with a matter in the agenda stated in the convocation notice. However, only shareholders who have held for the last six consecutive months or more (or, where a shorter period is prescribed in the articles of incorporation, that period or more) not less than 1% (or, where a lesser proportion is prescribed in the articles of incorporation, that proportion) of the votes of all shareholders or not less than 300 (or, where a lesser number is prescribed in the articles of incorporation, that number) votes of all shareholders may make such demand. Further, such demand shall be submitted no later than eight weeks (or, where a shorter period is prescribed in the articles of incorporation, that period or more) prior to the day of the shareholders' meeting.

In the case where a demand is made less than eight weeks (or, where a shorter period is prescribed in the articles of incorporation, that period or more) prior to the day of the shareholders' meeting, such

demand is deemed to be a demand made in respect of the agenda or convocation notice of the next shareholders' meeting. Our Articles have not prescribed a different notice period from the standard eight weeks' notice requirement for the submission of a shareholder's demand.

In addition, a shareholder who has held not less than 3% of the voting rights in a company for the last six consecutive months may request the directors to convene a shareholders' meeting. If the directors do not send out a convocation notice for such shareholders' meeting to be held and such shareholders' meeting is not convened by the directors within eight weeks from the date of such request, such requesting shareholder may convene a shareholders' meeting with court permission.

Rights to propose an amendment to matters included in an existing agenda of a shareholders' meeting:

A shareholder is permitted to propose an amendment to matters included in an existing agenda of a shareholders' meeting without any prior notice. The matters included in the agenda may be amended at any time before the relevant shareholders' meeting or even at the meeting.

Any matter demanded by shareholders to be added to an agenda of a shareholders' meeting or any matter in an existing agenda as amended by shareholders which is not supported by at least one-tenth of the votes of shareholders cannot be re-submitted for discussion and determination at another shareholders' meeting in the following three years.

Derivative action:

In a derivative action, shareholders are allowed to pursue the liability of directors vis-à-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, accounting adviser, statutory auditors, senior executive officers, Accounting Auditors, incorporators, directors and statutory auditors 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, accounting adviser or statutory auditors. 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 shareholders' meeting after the incident, or (ii) by the articles of incorporation in advance. However, if shareholders holding not less than three hundredths (3/100) (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.

Under the TSE Listing Regulations:

The TSE Listing Regulations require a listed company to establish a policy to protect minority shareholders ("**Policy for Protection of Minority Shareholders**") when the company has Controlling Shareholders (as defined below and such definition only applies to this section). The Policy for Protection of Minority Shareholders is required to include (i) a policy for establishment of a corporate structure; (ii) a decision making process; and (iii) a utilization of external independent bodies, for the purpose of

protection of minority shareholders, in accordance with the Guide on Preparation of Corporate Governance Reports.

A "Controlling Shareholder" under the TSE Listing Regulations means a parent company or a main shareholder (other than the parent company) who holds the majority of voting rights of a listed company after combining the voting rights held for its own account and the voting rights held by any of the entities specified in the following items:

(a) a close relative of said main shareholder (meaning a relative within the second degree of kinship); and

(b) a company (including a company, designated corporation, partnership, or other similar entities (including foreign entities that are equivalent to these entities)) whose majority voting rights are held by said main shareholder or a close relative specified in (a) above, and a subsidiary of said company.

Further, the TSE Listing Regulations require listed companies to disclose certain matters regarding Controlling Shareholders, including the company's policy towards them and details of transactions with them, in the corporate governance report ("**Corporate Governance Report**") and other disclosure documents. The TSE also requires a listed company to submit a report without delay any change has occurred in the information in a Corporate Governance Report. Furthermore, the TSE requires a listed company that has Controlling Shareholders to disclose matters including the following within three months from the last day of the fiscal year:

(a) the trade name or corporate name of the parent company, the holding ratio of the parent company with respect to the voting rights of the listed company, and where applicable the trade name or corporate name of the stock exchange in Japan on which the stocks issued by the parent company or the foreign stock exchange on which the stocks issued by the parent company are listed or continuously traded;

(b) in cases where the TSE approves exemption from disclosure of certain matters regarding Controlling Shareholders of the parent company, the reason for such approval;

(c) the position of the parent company within the corporate group and relationship with the other parent companies;

(d) matters related to transactions with the Controlling Shareholder (including its close relatives and its subsidiaries);

(e) the implementation status of the Policy for Protection of Minority Shareholders; and

(f) other information necessary for investors to understand the corporate information of the Controlling Shareholder appropriately.

It is conventional to disclose the following in respect of transactions with Controlling Shareholders: (i) name or trade name, (ii) location of head office, (iii) capital stock, (iv) description of business, (v) ratio of holding of voting rights, (vi) relationship with the reporting company, (vii) details of transaction, (viii) the amount of transaction, and (ix) other information such as trade balance at end of the financial year.

Furthermore, where a listed company has Controlling Shareholders and makes a decision to conduct certain material transactions between certain related persons including the Controlling

Shareholders, the TSE Listing Regulations require the listed company to obtain an opinion from a person who has no interest in such Controlling Shareholder that any decision on the matters will not be detrimental to the interests of minority shareholders of the listed company.

In addition, under the TSE Listing Regulations, if a third-party allotment that causes a dilution ratio of voting rights in excess of 300% is determined by the board of directors of a listed company, the company will be delisted, unless the TSE deems that the risk of such third-party allotment has little likelihood of harming the interests of investors. Under the TSE Listing Regulations, the dilution ratio is, as a general rule, calculated by the following formula:

$$\text{Dilution ratio} = \frac{\text{the number of votes concerning shares to be issued by the third party allotment in question (including the number of potential voting rights)}}{\text{the number of votes concerning issued and outstanding shares before the third party allotment}} \times 100.$$

In addition to the above, the TSE Listing Regulations require a listed company to (i) obtain an opinion from a person who is independent from the management of the company regarding the necessity and appropriateness of any third-party allotment, or (ii) confirm the intention of the shareholders by any means such as a shareholders' meeting in the case of a third-party allotment (1) that causes a dilution ratio of voting rights of 25% or more, or (2) when there is an expectation of a change of a Controlling Shareholder due to such allotment, unless the TSE deems that it is difficult for the listed company to conduct any of the procedures under (1) or (2) above due to reasons such as rapidly deteriorating financial situations.

6. TRANSACTIONS REQUIRING SHAREHOLDER APPROVAL

Under the Companies Act:

Requiring an ordinary resolution ("Shareholder Approval Transactions"):

Certain corporate acts including:

- distribution of surplus (Article 454 of the Companies Act);
- repurchase of shares (Article 156(1) of the Companies Act);
- reduction of the amount of stated capital (Article 447(1) of the Companies Act);
- reduction of the amount of reserves (Article 448(1) of the Companies Act);
- increase of the amount of stated capital by way of reduction of the amount of surplus (Article 450 of the Companies Act);
- increase of the amount of reserves by way of reduction of the amount of surplus (Article 451); and
- appropriation of its surplus, including disposition of loss and funding of voluntary reserves (Article 356(1) of the Companies Act).

Requiring a special resolution ("Special Shareholder Approval Transactions"):

Transactions necessitating a special resolution are:

- any acquisition at any time within two years after the incorporation of the company of assets that existed prior to such incorporation and continues to be used for its business (*jigo-setsuritu*) (Article 467(1)(v) of the Companies Act);

- merger (absorption by another company) (Article 783(1), 795(1), 804(1) of the Companies Act);

- corporate split (separation of an existing company into two constituent parts) (Article 783(1), 795(1), 804(1) of the Companies Act);

- share exchange and share transfer (acquisition of the entire issued share capital of a target company in exchange for shares in a target company) (Article 783(1), 795(1), 804(1) of the Companies Act);

- assignment of entire business or significant part of business (Article 467(1), (2) of the Companies Act);

- reverse stock split (Article 180(2) of the Companies Act); (ii) Issuance of new shares at unfair subscription price. (Article 199(2), (3) of the Companies Act);

- issuance of share acquisition rights at unfair subscription price or unfair conditions (Article 238(2), (3) of the Companies Act);

- distribution of dividend in kind without giving shareholders the rights to demand distribution in cash (Article 454(4) of the Companies Act); and

- dissolution of the company (Article 471(iii) of the Companies Act).

Requiring a special resolution passed by no less than a two-thirds majority vote of shareholders entitled to exercise votes at a general meeting at which at least half or more of the shareholders entitled to exercise their votes are in attendance ("Special Particular Shareholder Approval Transactions"):

Mergers or share transfers involving the restructuring of the shares of a company such that they contain transfer restrictions, and amendments to a company's articles of incorporation to install preemption rights or other transfer restrictions constitute special shareholders' approval transactions.

Corporate acts requiring unanimous shareholder approval ("Unanimous Shareholder Approval Transactions"):

- 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) (Article 110 of the Companies Act);

- amendments to the articles of incorporation restricting certain shareholders from being entitled to require the company to purchase their shares on a share repurchase (Article 164(2) of the Companies Act);

- conversion to unlimited commercial partnership, limited commercial partnership company or limited liability partnership 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 an unlimited commercial partnership, limited commercial partnership company or limited liability partnership company (Article 783(2) of the Companies Act); and

- incorporation type merger in which each of unlimited commercial partnership, limited commercial partnership company or limited liability partnership company will be established.

Furthermore, in a qualified special resolution (*tokushu ketsugi*), the resolution must be made by (i) a majority (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the shareholders entitled to exercise their votes at the shareholders' meeting, being a majority of two thirds (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of the shareholders, or (ii) half or more (where a higher proportion is provided for in the articles of incorporation, that proportion or more) of all shareholders, being a majority equating to three quarters (where a higher proportion is provided for in the articles of incorporation, that proportion) or more of the votes of all shareholders. Resolutions which require a type (i) qualified special resolution include the resolution to introduce restraints on transfer of shares. A type (ii) qualified special resolution is for the resolution to introduce or change differential treatment of shareholders with respect to distribution of surplus or residual assets, or voting rights, of a company whose articles of incorporation provides a transfer restriction on all of its shares. There are also cases where all shareholders' consent is required, for example, where the liability of directors or statutory auditors vis-à-vis the company is discharged.

7. ACCOUNTING AND AUDITING REQUIREMENTS

Regulation of accounting in the Companies Act is intended to (i) set the limit for paying out surplus; and (ii) provide information on the financial state of the company to creditors and shareholders.

Companies must prepare accurate accounting documents in a timely manner and keep them for ten years. Accounting must comply with the practice of corporate accounting which is generally accepted as fair and appropriate.

Companies are mandated to prepare financial statements and other documents for each financial year. These are:

- a balance sheet;

- a profit and loss report;

- a report on the changes of the amount of share capital during the financial year; and

- a business report.

Financial statements are subject to the audit of statutory auditors and accounting auditors when it has accounting auditors, and approval of the board of directors. They are then submitted to the general shareholders' meeting for the approval of shareholders (in the case where the company has an accounting auditors and fulfills certain requirements, the financial statement is not required to be approved by a shareholders' meeting and is required to be reported only).

The Companies Act mandates large companies which are subject to the obligation to submit annual securities reports according to the FIEA to prepare consolidated financial statements.

8. M&A (MERGERS, CORPORATE SPLIT, SHARE EXCHANGE, SHARE TRANSFER, BUSINESS TRANSFERS AND BUSINESS ASSUMPTION)

(1) *Mergers (gappei)*

Absorption type mergers (*kyushu gappei*) and new incorporation type mergers (*shinsetsu gappei*) are the two types of mergers available under the Companies Act. An absorption type merger is a merger whereby an existing company absorbs one or more other existing companies, while a new incorporation-type merger is a merger whereby a new company is incorporated to absorb one or more existing companies.

The company must seek a special resolution (which will pass if (1) shareholders having 1/3 or more of outstanding shares of the Company vote at the shareholders meeting, and (2) 2/3 or more voting shareholders approve the transaction under the Companies Act and the Articles of the Company at the general shareholders 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,

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

(iii) 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 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.

Japanese law requires that certain general information is included in a convocation notice for an extraordinary shareholders' 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.

(2) *Corporate split (kaisha bunkatsu)*

A corporate split is a process whereby a stock company or a limited liability company (*godo kaisha)* 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 *kyushu bunkatsu* (absorption type corporate split), while the separation of rights and obligations pertaining to a division of such a company to a newly established company is called *shinsetsu bunkatsu* (new incorporation type corporate split). In each type of corporate split, as consideration for the separation of rights and obligations, the separating company will issue or pay shares, bonds, share acquisition rights, cash or other assets to the other company.

In a new incorporation type corporate split or an absorption type corporate 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 shareholders' 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 the general shareholders' meeting if it conducts a corporate split unless:

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

(ii) the "corporate 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 "corporate split" results in a consolidation with an existing company ("**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,

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

(v) the "corporate 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 splitting company are transferred either to the newly established company or to the absorbing company. This also applies to employment contracts.

Japanese 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 corporate splits, the convocation notice must include the following key content requirements: (i) the reason for the proposed corporate split; (ii) the terms and conditions of the corporate 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.

(3) *Share exchange (kabushiki kokan) and share transfer (kabushiki iten)*

A share transfer (*kabushiki iten*) 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, share acquisition rights, bonds with share acquisition rights or other assets of the new company.

A share exchange (*kabushiki kokan*) is a transaction whereby a stock company transfers all of its outstanding shares to an existing stock company or a limited liability company (*godo kaisha*) (i.e., conversion of an existing stock company to a wholly-owned subsidiary of another existing stock company or limited liability company (*godo kaisha*)) in return for shares, bonds, share acquisition rights, bonds with share acquisition rights or other assets of the company that will become a new parent of such stock company.

The company must seek a special resolution at the general shareholders' 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,

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

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

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

Japanese 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.

(4) *Business transfer (jigyo joto)*

A business transfer (*jigyo joto*) is a transaction whereby a stock company transfers all or a portion of its "business" (*jigyo*) to another entity. According to the judicial precedents, the term "business" (*jigyo*) is regarded to mean "a combination of assets and liabilities organized 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" (*jigyo*).

The contract by a stock company to transfer all of or a significant portion of its "business" (*jigyo*) 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 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 stock company.

Shareholders who opposed to the business transfer (*jigyo joto*) are given appraisal rights.

Japanese 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, the convocation notice must include the following key content requirements: (i) the reason for the proposed business transfer; (ii) the terms and conditions of the business transfer contract and (iii) the appropriateness of the consideration to be received.

(5) *Business assumption (jigyo yuzuriuke)*

A business assumption (*jigyo yuzuriuke*) is a transaction whereby a stock company assumes all or a portion of its "business" (*jigyo*) from another entity. According to the judicial precedents, the term "business" (*jigyo*) is regarded to mean "a combination of assets and liabilities organized 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" (*jigyo*).

The contract by a stock company to assume all of the "business" (*jigyo*) from another entity is subject to the special resolution of a shareholders' 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 stock company, or

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

who opposed to the business assumption (*jigyo yuzuriuke*) are given appraisal rights. Japanese 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.

9. FINANCING OF COMPANIES

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

(1) *Issuance of new shares*

The issuance of shares and the disposal of Treasury Stock are covered in the same section of the Companies Act as the offering of shares. When offering newly-issued shares or Treasury Stock that are being disposed of, either to the public or a third party, a company is required to determine, among other things, the following:

- the number of offered shares;
- the price to be paid or the method of calculating it;
- if there is an in-kind contribution, the content of the contribution and its value;
- the date or period of payment; and
- matters related to the increase of the capital and capital reserve when issuing shares.

These matters need to be decided at the general shareholders' meeting, but this can be delegated to the board of directors by a special resolution of a shareholders' meeting. In such cases, the maximum number of shares to be issued or disposed and the minimum amount of payment need to be determined. In public companies such as our Company, the above matters can be determined by the board of directors. However, this does not apply when the shares are issued or disposed of at an especially favorable price to the subscribers (whether or not a price is "especially favorable to the subscribers" is determined based on a reasonable balance between the interests of the company's existing shareholders and its own interest in achieving effective capital financing, considering various factors including: the company's share price prior to the date when the issue price is set; volatility of that share price; past trading volumes in the company's shares; the company's financial condition, profitability and level of dividends; the number of the company's issued shares and the number of new shares to be issued; trends in stock market conditions; and the estimated potential of the market to absorb these new shares, according to a precedent court case (Supreme Court of Japan, April 8, 1975)). In such case, a special resolution of the shareholders' meeting is required.

If the issuance of shares or the disposal of Treasury Stock is against the law or the articles of incorporation or was substantially unfair, shareholders are entitled to seek an injunction. Shareholders are also entitled to contest the validity of the issuance. In order to ensure the above rights of shareholders, where a public company offers shares to the public or a third party, the offer has to be publicized, or notified to shareholders at least two weeks prior to the date of paying in.

There are three types of issuances of new shares, depending on the allocation of newly-issued shares: (i) an allotment to shareholders, (ii) an allotment to a specified third party, and (iii) a public offer. The board of directors is entitled to decide to adopt either of the three methods above at its discretion.

In the case of an allotment to shareholders, upon resolution of the board of directors to give, at its discretion, existing shareholders the right to subscribe newly-issued shares in proportion to shareholding ratio. In the case of an allotment to a specified third party, shares may be offered to a specific third party. The party to whom the shares are to be allocated can be determined by the board of directors. In a public offer, newly-issued shares are offered to many unspecified people. The shares are underwritten by securities firms.

(2) *Issuance of bonds*

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

There are straight bonds and bonds with share acquisition rights. The latter are bonds with share acquisition rights 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. 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 thereunder (collectively, the "**Foreign Exchange Act**"), govern

certain matters relating to the issuance of equity-related securities by us and the acquisition and holding of shares of common stock by "exchange non-residents" and by "foreign investors" as hereinafter defined.

"Exchange non-residents" are defined under the Foreign Exchange Act as individuals who are not resident in Japan and corporations whose principal offices are located outside Japan. Generally branches and other offices of Japanese corporations located outside Japan are regarded as exchange non-residents, but branches and other offices located within Japan of non-resident corporations are regarded as residents of Japan. "Foreign investors" are defined to be (i) individuals not resident in Japan, (ii) corporations which are organized under the laws of foreign countries or whose principal offices are located outside Japan and (iii) corporations of which (a) 50% or more of the shares are held by (i) and/or (ii) above, (b) a majority of officers consists of non-resident individuals or (c) a majority of the officers having the power of representation consists of non-resident individuals. Under the Foreign Exchange Act, dividends paid on, and the proceeds of sales in Japan of, shares of common stock held by exchange non-residents in general may be converted into any foreign currency and repatriated abroad.

Under the Foreign Exchange Act, an acquisition of shares of a Japanese company listed on any Japanese stock exchange or traded on the over-the-counter market ("**OTC**") in Japan, or the listed shares, by an exchange non-resident from a resident of Japan is generally not subject to a prior filing requirement.

In the case of a foreign investor acquiring listed shares (whether from a resident of Japan or an exchange non-resident, from another foreign investor or from or through a designated securities company) and as a result of such acquisition the number of shares held directly or indirectly by such foreign investor (including shares held by persons who agree to act in concert with such foreign investor in connection with the exercise of shareholders' rights) would become 10% or more of our total issued shares, such acquisition constitutes a direct inward investment and the foreign investor is required to make a subsequent report on such acquisition to the Minister of Finance and other Ministers having jurisdiction over the business of the subject company, or to the competent ministers by the 15th day of the month following the month containing the date of acquisition. If a foreign investor (possibly including HDR Holders) fails to make a subsequent report or makes a false subsequent report, the foreign investor may be punished by imprisonment with work for not more than six months or a fine of not more than ¥500,000. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company fails to make a subsequent report or makes a false subsequent report with regard to the business or property of the company, the offender may be punished by imprisonment for not more than six months or by a fine of not more than ¥500,000, and the company may be liable to be punished by a fine of not more than ¥500,000. In certain exceptional cases, a prior filing is required and the competent ministers may recommend the modification or abandonment of the proposed acquisition and, if the foreign investor does not accept the recommendation, order its modification or prohibition. If a foreign investor (possibly including HDR Holders) acquires shares without a prior filing or makes prior filing containing a misstatement, the foreign investor may be punished by imprisonment for not more than three years or by a fine of not more than ¥1 million, or both. Also, in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company acquires shares without a prior filing or makes prior filing containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than three years or by a fine of not more than ¥1 million, or both, and the company is liable to be punished by a fine of not more than ¥1 million.

11. TAXATION

The discussion of Japanese taxation set forth below is intended only as a summary and does not purport to be a complete analysis or discussion of all the potential Japanese tax consequences for HDR Holders (evidencing HDSs representing shares of our common stock) who are non-resident individuals or non-Japanese corporations not having a permanent establishment in Japan (collectively referred to as "non-resident HDR Holders" in this section). As tax laws are frequently revised, the tax treatments described in this summary are subject to any future changes in applicable Japanese laws and/or double taxation conventions. This summary is not an exhaustive treatment of all possible tax considerations which may apply to specific investors under particular circumstances.

A non-resident HDR Holder is generally subject to a Japanese withholding tax on cash dividends. Split-up of shares and allotment of shares without consideration, in general, are not subject to Japanese withholding tax since they are characterized merely as an increase in the number of shares (as opposed to an increase in the value of the shares) from a Japanese tax perspective.

In the absence of any applicable treaty or agreement reducing the maximum rate of withholding tax, the standard rate of Japanese withholding tax applicable to dividends paid by Japanese corporations to non-resident HDR Holders (other than those who hold 3% or more of our Shares) is generally 15.315% on or before December 31, 2037 and 15% on or after January 1, 2038. Non-resident HDR holders who hold 3% or more of our Shares are generally subject to a withholding tax in Japan of 20.42% on or before December 31, 2037 and 20% on or after January 1, 2038.

Japan has income tax treaties, conventions or agreements whereby the above-mentioned withholding tax rate is reduced. For Japanese tax purposes, a treaty rate generally supersedes the tax rate under domestic tax law. If the tax rate under domestic tax law is lower than the treaty rate, the domestic tax rate applies.

Under the Hong Kong-Japan Tax Treaty, the Japanese withholding tax rate that applies to dividends payable to a beneficial owner of shares who is a Hong Kong resident will be reduced to 10%, provided that if the beneficial owner is a company that has directly or indirectly owned, for the six-month period ending on the date on which entitlement to the dividend is determined, at least 10% of the outstanding voting shares of the Japanese company that is paying the dividends, the tax rate will be reduced to 5%. As a general rule, a beneficial owner who is entitled to a reduced rate of Japanese withholding tax on payments of dividends is required to submit an Application Form for Income Tax Convention Regarding Relief from Japanese Income Tax on Dividends (together with other required forms and documents) in advance, through the withholding agent to the relevant tax authority before the payment of dividends. A beneficial owner who does not submit an application in advance may be entitled to claim a refund of withholding taxes withheld in excess of the rate under an applicable tax treaty from the relevant Japanese tax authority at its discretion by complying with certain subsequent filing procedures. A standing proxy for the beneficial owner may provide the application. The Hong Kong-Japan Tax Treaty would apply to a non-resident HDR Holder who is a resident of Hong Kong. The application form and information on the procedures to claim a refund of withholding taxes are available in Japanese and English on the website of Japan's National Tax Agency at **http://www.nta.go.jp/tetsuzuki/shinsei/annai/joyaku/annai/pdf2/250.pdf**.

Gains derived from the sale outside Japan of HDSs of the Company by a non-resident HDR Holder are in general not subject to Japanese income or corporation taxes, except for any HDR Holder who substantially holds (i) 25% or more of the shares issued by the relevant Japanese corporation at any time during the taxable year of the sale or during two preceding years and (ii) transfers of 5% or more of the

outstanding Shares within one taxable year. In addition, the Hong Kong-Japan Tax Treaty also provides that capital gain tax delivered from transfer of shares can be imposed in the jurisdiction where the transferor of such shares is resident except for certain circumstances. As such, HDR Holders who are resident in Hong Kong are generally not subject to Japanese capital gain taxes.

Japanese inheritance taxes at progressive rates may be payable by an individual who has acquired HDSs as a legatee, heir or donee even though neither the individual nor the deceased nor the donor is a resident of Japan because any inheritance of HDRs underlying shares issued by a Japanese company may be regarded as those of shares of such Japanese company that are subject to Japanese inheritance taxes for the purpose of Japanese tax law.

12. TAKEOVER REGULATION IN JAPAN

Compulsory Takeover Bid

A takeover bid (*koukai kaitsuke*) is regulated by the FIEA. If a party intends to purchase shares of companies that are required to submit annual security reports (including listed companies and OTC companies) or that issue specified listed securities, this must be done by tender offer (as described below) in the following cases (with several exceptions):

(i) If the purchase is made outside the stock exchange market (including the OTC security market) and, after the purchase, the aggregate voting rights held by a purchaser making a takeover bid (the "**takeover bidder**") and the certain related persons of the takeover bidder divided by the total voting rights of the target company ("**Total Voting Ratio**") exceeds 5%. An exception applies if the aggregate number of sellers in the contemplated share purchase and the sellers of shares to the takeover bidder outside the stock exchange market ("**Total Sellers**") equals ten or less in the 60 days before the day the purchase is made.

(ii) If the purchase is made outside the stock exchange market (including the OTC security market), the number of Total Sellers is ten or less and the Total Voting Ratio exceeds one-third after the purchase.

(iii) If the Total Voting Ratio exceeds one-third after the purchase, and the purchase is made by the methods of purchase prescribed by the Prime Minister (including purchasing through Tokyo Stock Exchange Trading Network System (ToSTNeT) of the TSE and certain off-floor trading methods).

(iv) If, within three months:

- over 5% of the voting shares are purchased outside the stock exchange market (including the OTC security market) or by the methods of purchase prescribed by the Prime Minister mentioned above;
- a total of over 10% of the voting shares are obtained through the purchase (including purchases described in the preceding bullet point) or the issuance of new shares; and
- the Total Voting Ratio exceeds one-third after the purchase or the issuance.

(v) If, during the period in which another party's public offering is made, a party, whose Total Voting Ratio before the purchase exceeds one-third, purchases over 5% of the voting shares.

(vi) In other specified cases set out in the relevant cabinet order.

Procedures for Takeover Bid — Tender Offer

The takeover bidder commences the takeover bid procedures by first providing public notice of the commencement of the takeover bid (*koukai kaitsuke kaishi koukoku*) and then filing the takeover bid registration statement (*koukai kaitsuke todokedesho*). The takeover bid registration statement sets forth, among other things, the following: (i) the purpose of the acquisition, (ii) a description of negotiations related to the takeover bid, (iii) the floor offer price, (iv) an agreement with the target company and its directors, (v) information about the takeover bidder and the target company and (vi) any other information which would have a material effect on a shareholder's decision.

The takeover bidder solicits tenders from shareholders by delivering the takeover bid explanation statement (*koukai kaitsuke setsumeisho*) to them. On the other hand, the target company publicly announces its position for the takeover bid by filing the position statement report (*iken hyoumei houkokusho*) within ten (10) business days from the public notice for commencement of the takeover bid. When the target company puts questions to the takeover bidder in such position statement, the takeover bidder must file the report for responding to the questions (*tai shitsumon kaitou houkokusho*). The takeover bidder makes a public announcement of the results of the takeover bid on the day following the end of the offering period, files the takeover bid report (*koukai kaitsuke houkokusho*) and notifies the shareholders who tendered their shares for the takeover bid of such results. Finally the takeover bid is completed by exchanging the shares and the consideration on the settlement date.

Regulations of Terms of Takeover Bid

(i) Offer Price

As a general rule, the terms and conditions of a takeover bid (including the offer price) must be uniform for all shareholders of the target company. Other than this general rule, no price restrictions are imposed under the FIEA. In particular, there is no requirement to offer a premium over the market price (a discounted takeover bid is also possible).

(ii) Offer Period

An offer period must not be less than 20 business days or more than 60 business days. Within this range, the takeover bidder may extend the initial offering period. The target company may request to extend the offering period if the initial period is less than 30 business days, and if it does so, the offering period will automatically become 30 business days.

(iii) Cap and Floor on the Number of Shares

The takeover bidder may put a cap and/or a floor on the number of shares to be purchased in a takeover bid. If the number of shares tendered exceeds the cap, a pro-rata purchase from the tendered shareholders is required. However, if the Total Voting Ratio is two-thirds or more, the takeover bidder may not set a cap and must purchase all the shares tendered.

(iv) Withdrawal of Takeover Bid

The takeover bidder is generally prohibited from withdrawing a takeover bid. However, if the takeover bidder stipulates in the public notice for commencement of the takeover bid and the takeover bid registration statement that it may withdraw the takeover bid if any important changes occur to the business or property of the target company or its subsidiary, or any other circumstances occur that would significantly impede the achievement of the purpose of the takeover bid, it may withdraw the takeover bid when such matters actually occur.

(v) Change in Terms of a Takeover Bid

Generally, the takeover bidder may only change the terms and conditions of a takeover bid when such changes are not unfavorable to shareholders of the target company. Decreasing an offer price, increasing a floor on the number of shares, decreasing a cap on the number of shares and shortening an offer period are all deemed to be changes that are unfavorable to shareholders and are therefore generally prohibited. However, for example, if the takeover bidder stipulates in the public notice for commencement of the takeover bid and the takeover bid registration statement that it may reduce the offer price when the target company conducts a share split or issues shares or stock acquisition rights to the existing shareholders for no value, it may reduce the offer price when such matters actually occur. The offering period should have at least 10 business days remaining after any change to the terms and conditions of a takeover bid, otherwise the offering period must be extended.

(vi) Prohibition of Purchase Outside a Takeover Bid

Generally, certain parties, including the takeover bidder, certain related persons of the takeover bidder and the securities company handling procedural matters for the takeover bid may not purchase shares of the target company outside the takeover bid during the offering period. However, for example, they may purchase the shares if the agreement for such purchase has already been disclosed in the public notice for commencement of the takeover bid and the takeover bid registration statement or if such purchase is made by the exercise of stock acquisition rights.

If a person (might include HDR Holders) has failed to submit a takeover bid registration statement, the person shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a takeover bid registration statement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both, and the company is liable to be punished by a fine of not more than ¥500 million. In addition, the Japanese regulator may impose an administrative penalty up to 25% of the aggregate amount of shares purchased by such offender (or 1.5 times of such amount if such offender has failed to comply with this regulations in the past five years).

Also, if a person (might include HDR Holders) submits a takeover bid registration statement containing a misstatement, the person shall be punished by imprisonment for not more than 10 years or by a fine of not more than ¥10 million, or both, and in the case of a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company submits a takeover bid registration statement containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than 10 years or by a fine of not more than ¥10 million, or both, and the company is liable to be punished by a fine of not more than ¥700 million. In addition, the Japanese regulator may impose an administrative penalty on such offender.

The amount of such administrative penalty is up to 25% of the aggregate amount calculated based on a closing price immediately prior to the date of the commencement of the takeover bid multiplied by the number of shares purchased by such offender (or 1.5 times of such amount if such offender has failed to comply with this regulations in the past five years).

HDR Holders

In the event that a takeover bid is made to the Shares, each of the Shareholders (as defined in the Companies Act and the Book Entry Act) of the Company will be entitled to exercise their rights as Shareholders in respect of the takeover bid under the FIEA. Upon receiving notice of the takeover bid, HDR Holders will be entitled to exercise rights in respect of the takeover bid by instructing the Depositary as to whether to take up the offer or not. Accordingly, the Depositary would instruct the Custodian, as the holder of the shares underlying the HDRs, to act in accordance with the instructions of such HDR Holder(s). The Custodian will be a normal Shareholder of the Company holding the underlying shares in JASDEC and will be entitled to the same protections offered under Japanese law as any other Shareholder of the Company.

13. LARGE SHAREHOLDING REPORT

Disclosure Obligations

Persons who acquire title, or a call option, to equity securities including shares, SARs, bonds with SARs and similar securities issued or to be issued by a listed company ("**equity securities**") representing more than 5% of the outstanding voting rights ("**Large Volume Holder**"), are required to submit a large shareholding report ("**Large Shareholding Report**") in the form provided by the Cabinet Office Ordinance concerning Disclosure of Status of Large Volume Holding of Share Certificates (Ordinance of the Ministry of Finance No. 36 of 1990, as amended), to the director-general of the local finance bureau, and a copy thereof to the issuer of such equity securities and stock exchanges on which such shares are listed, within five (5) business days from the date on which such person has come to be a Large Volume Holder, pursuant to Article 27-23 of the FIEA. The Large Shareholding Report submitted by such Large Volume Holder must include, among other things, (a) the identity of the Large Volume Holder and its joint holders (together, "**Disclosing Parties**"); (b) the purpose for acquiring such equity securities; (c) the number and ratio of equity securities held by the Disclosing Parties; (d) details of the transaction regarding equity securities within a 60 day period; (e) material contracts regarding equity securities; and (f) details of the funds used by the Disclosing Parties to acquire such equity securities.

If a material change in any of the matters disclosed in a Large Shareholding Report occurs or holdings of equity securities increase or decrease by 1% or more, the Large Volume Holder must submit an amendment to the Large Shareholding Report within five business days of such change.

If a person has failed to submit a Large Shareholding Report or amendment thereto or submits such report or amendment containing a misstatement of material matters, that person is liable to be punished by imprisonment for not more than five years or issued a fine of not more than ¥5 million Yen, or both, and they will be liable to pay to the national treasury a surcharge equivalent to 1/100,000 of the total market value of the shares.

Timing and Method of Disclosure

As mentioned above, Large Shareholding Reports and amendments thereto must be submitted within five business days of the relevant person or entity becoming a Large Volume Holder, or on the

occurrence of a material change or a change in their holding ratio of 1% or more, respectively. All Large Shareholding Reports and amendments thereto are required to be submitted through the EDINET (it is deemed by operation of law that a copy thereof is submitted to the stock exchange when such report is submitted through EDINET) and must be made available for public inspection for five years by the stock exchanges upon which the company's securities are listed and by the FSA.

Further, with respect to institutional investors such as banks, trust companies and insurance companies, there are exceptional reporting rules under the FIEA. Institutional investors may elect to submit a Large Shareholding Report and amendment thereto in the simplified special form within five business days after the record date (either the 2nd and 4th Monday (and 5th Monday, if any) of each month or the 15th day and the last day of each month) elected by such institutional investors. Such institutional investors must satisfy certain requirements such that the purpose of the institutional investors in obtaining the shareholding must not be to control the business of the company, the aggregate shareholding of the institutional investors and its joint holder must not exceed 10% and other certain requirements under the FIEA and its ordinances, to use this exceptional reporting rule.

14. SALE-PURCHASE REPORT AND SHORT-SWING REGULATION

Under the FIEA each shareholder of a company having 10 % or more of outstanding voting rights ("**Major Shareholders**") and its directors, statutory auditors and executive officers ("**Officers**") are subject to the following requirements and obligations:

(a) Sale-purchase Report (Article 163)

If a Major Shareholder or Officer sells or purchases (including derivative transactions with physical settlement or cash settlement) shares of a company, he/she is required to file a Sale-purchase Report setting forth details of such sale or purchase with the FSA by the 15th day of the month immediately following such sale or purchase. If a Major Shareholder (might include HDR Holders) or Officer fails to submit a report or submits a report containing a misstatement, such person shall be punished by imprisonment for not more than six months or by a fine of not more than ¥500,000, or both. Also, in the case of such offender is a company, if the representative person of the company such as a director, or an agent, employee, or other worker of the company has failed to submit a report or submits a report containing a misstatement with regard to the business or property of the company, the offender shall be punished by imprisonment for not more than six months or by a fine of not more than ¥500,000, or both, and the company is liable to be punished by a fine of not more than ¥500,000.

(b) Short-swing Regulation (Article 164)

If a Major Shareholder or Officer earns profits from either (i) purchase of the shares and sale of the shares conducted within a six-month period, or (ii) sale of the shares and purchase of the shares conducted within a six-month period, the company is entitled to make a claim for the profits from such purchase and sale or sale and purchase, as the case may be, ("**Profits**") against the Major Shareholder or Officer. The "purchase" and "sale" include derivative transactions with physical settlements or cash settlements.

Moreover, if the company does not make a claim for the Profits within 60 days after receipt of demand by a shareholder of the company, the shareholder may make a claim for the Profits against the Major Shareholder or Officer, as the case may be, on behalf of the company.

If the FSA considers that a Major Shareholder or Officer earned the Profits based on the Sale-purchase Report, the FSA will deliver the portion of the Sale-purchase Report, relevant to the Profits ("**Profit-related Document**"), to such Major Shareholder or Officer, and if he/she does not raise any objections on the basis of lack of sale or purchase as described in the Profit-related Document within 20 days, it will deliver the Profit-related Document to the company. The FSA will publicize the Profit-related Document 20 days after the delivery to the company.

(c) Short-selling Regulation (Article 165)

Major Shareholders and Officers are prohibited from short-selling of the shares beyond the amount of the shares owned by such Major Shareholder.

15. NOTIFICATION REQUIREMENT UNDER THE ANTI-MONOPOLY ACT

When a corporate investor (might include HDR Holders) that fulfils certain criteria, such as domestic turnover prescribed by the Anti-Monopoly Act, acquires shares (might include HDRs) 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.

16. DISCLOSURE OF MATERIAL TRANSACTIONS WITH RELATED PARTIES IN THE FINANCIAL STATEMENTS

Under the FIEA and the Consolidated Financial Statements Rule, the notes to financial statements which are disclosed pursuant to the FIEA, must include the details of "material" transactions with related parties ("**Related Party Transactions**"), including any controlling shareholders.

The Related Parties of a Japanese company include:

(a) the parent companies of the company;

(b) the unconsolidated subsidiaries of the company;

(c) corporations, etc. that have the same parent company as the company;

(d) other related companies (meaning a corporation, etc. which, or the subsidiaries of which, are able to effect material influence on the company's financial and operating or business decision, through its relationship on capital contribution, personnel affairs, finance, technology or transactions);

(e) affiliated companies of the company (meaning a corporation, etc. whose financial and operating or business decisions could be materially influenced by the company or a subsidiary of the company through its relationship on capital contribution, personnel affairs, finance, technology or transactions);

(f) major shareholders of the company (meaning a shareholder who holds voting rights exceeding 10%. of the voting rights held by all the shareholders in the name of him/herself or another person) and their close relatives (meaning relatives within the second degree of kinship);

(g) officers of the company and their close relatives;

(h) officers of the parent companies of the company and their close relatives;

(i) officers of the material subsidiaries of the company and their close relatives;

(j) a corporation in which the majority of voting rights are held by any one of the persons prescribed in (f) through (i) for his/her own account, and the subsidiaries of such corporation; and

(k) the corporate pension provider for the employees of the company.

The items to be disclosed include:

(a) in cases where the related parties are corporations, etc., the name, address, amount of capital stocks or contributions, content of business and the holding ratio of the voting rights that the company holds in the corporation, etc., or the holding ratio of the voting rights that the corporation, etc. holds in the company;

(b) in cases where the related parties are individuals, the name, the occupation and the holding ratio of the voting rights that the related party holds in the company;

(c) the relationship between the company and the related party;

(d) the details of the transactions;

(e) transaction amounts for each category of the transactions;

(f) conditions of the transactions or policy of the determination thereof;

(g) the balance, as of the end of a fiscal year, of the debts and credits generated by the relevant transactions for each account classification;

(h) in cases where there has been an amendment to the conditions of the transactions, a note to that effect, details of the amendment and details of the influences on the consolidated financial statements caused by the amendment;

(i) in cases where receivables owed by the related parties are classified as (i) receivables owed by a company that is not yet failed but has a substantial problem with payment or has high possibility thereof (*kashidaore kenen saiken*) or (ii) receivables that are a claim in bankruptcy or receivables owed by a company under rehabilitation, etc. (*kousei saiken tou*), the balance of the provision for possible loan loss as of the end of the relevant fiscal year, provision for doubtful accounts, etc. realized during the relevant fiscal year and bad-debt loss, etc. realized during the relevant fiscal year; and

(j) in case where certain reserves are set relating the transaction between the company and the related party, and it is considered appropriate to be included in the notes to financial statements, items equivalent to the items prescribed in (i) above.

17. INSIDER TRADING REGULATIONS

Under the FIEA, any person (i) who is a company-related person, etc. of a company listed on the Japanese stock exchange, etc., ("**Listed Company, etc.**"), (ii) who has become aware of any material facts concerning business operations, etc., in connection with such Listed Company, etc. and (iii) who, prior to the time when the material facts concerning business operations, etc. have been publicly

disclosed, trades, etc. in the specified securities, etc. of such Listed Company, etc. is subject to criminal penalty for insider trading.

The terms "company-related person", "material facts concerning business operations, etc.", "publicly disclosure", "trades, etc." and "specified securities, etc." above are defined under the FIEA, and the brief summary of them is as follows:

(a) Company-related Person, etc. (Persons Subject to the Insider Trading Regulations)

The term "company-related person" includes, among other things, (i) the officer, agent, employee, part-time worker, temporary worker, etc. of the of the Listed Company, etc. (including its parent company or subsidiary; hereinafter the same in this paragraph (a)), (ii) any shareholder of the Listed Company, etc. who has the right to request inspection of account books or a member of the Listed Company, etc.'s parent company who has the right, by obtaining permission from the court, to request inspection of account books under the Companies Act, (iii) any person having authority pursuant to any applicable law or regulation (such as public officers, etc., having authority pursuant to any applicable law or regulation, the right of permission, approval, etc. and the right of entry and inspection); (iv) any person who has concluded a contract or is involved in contractual negotiations with the Listed Companies, etc. and (v) officer, etc., of a corporation who has the right to request inspection of account books (as mentioned in item (ii) above), or a corporation of who has concluded a contract or is involved in contractual negotiations (as mentioned in item (iv) above).

In addition to the "company-related person", any person for whom one year has not lapsed since the day on which he/she ceased to be a "company-related person" ("**former company-related person**") is subject to the insider trading regulations. Moreover, (i) any person who has been informed of any material facts concerning business operations, etc. by the "company-related person" or "former company-related person" ("**recipient**") and (ii) an officer, etc. of a juridical person to which a recipient of information in the course of business belongs, who obtained knowledge of material facts concerning business operations, etc. during the performance of duties regarding such recipient are also subject to the insider trading regulations.

(b) Material Facts concerning Business Operations, etc.

"Material facts concerning business operations, etc." can be classified as follows:

(i) ***A fact that has been determined by a company ("fact decided")***

A "fact decided" includes the decision regarding an issuance of shares, subscription warrants, stock split, dividend from surplus, etc. and all of "facts decided" are similar to and, as a general rule, covered by the matters to be disclosed as "Decisions taken by a listed company (including where decisions is taken for not carrying out the matters relating to such decision)" and "Decisions taken by subsidiaries, etc. of a listed company (including where decisions is taken for not carrying out the matters relating to such decision)" under the TSE Listing Regulations.

(ii) ***A fact that has occurred, irrespective of the intention of the company ("fact occurrence")***

A "fact occurrence" includes a change in major shareholders, dishonor of a bill or a check or suspension of trade with a main business partner, etc., and all "facts occurrences" are similar to and, as a general rule, covered by the matters to be disclosed as "Facts arising

relative to a listed company" and "Facts arising relative to subsidiaries, etc. of a listed company" under the TSE Listing Regulations.

(iii) ***A fact in connection with information regarding account settlement of a company ("Information regarding account settlement")***

"Information regarding account settlement" is regarding sales, ordinary income, net income or dividend, etc., and , as a general rule, all of "Information regarding account settlement" is covered by the matters to be disclosed as "Information concerning the settlement of accounts of a listed company" under the TSE Listing Regulations.

(iv) ***Other material fact ("sweep-up provision")***

Other material fact is a sweep-up provision that includes any material fact pertaining to the operations, business or assets of the company, which would have a significant effect on the investment decisions of investors.

Please see the section headed "Part A. Summary of Japanese Legal and Regulatory Matters — 3. Summary of Disclosure Requirements" in the Listing Document for a summary of matters to be disclosed by a listed company under the TSE Listing Regulations.

(c) Public Disclosure

If a director who represents a Listed Company, etc. or a person who is authorized by that director publicly discloses a material fact concerning business operations, etc. to two or more news media, and if 12 hours have elapsed since such public disclosure, this conduct is considered "public disclosure."

In addition, (i) if a securities report, etc. containing a statement regarding a material fact concerning business operations, etc. is made available for public inspection, or (ii) if a Listed Company, etc. reports a material fact concerning business operations, etc. in accordance with the regulations of the relevant stock exchange and such material fact is made available for public inspection on the homepage operated by such exchange, this conduct is also considered "public disclosure."

(d) Trades, etc.

"Trades, etc." include (i) the purchase, sale or other transfer or acquisition for value and (ii) securities index futures, security option trading, securities futures on a foreign financial instruments market or over-the-counter securities derivatives transactions.

(e) Specified Securities, etc.

Specified securities, etc. consist of "specified securities" and "related securities." "Specified securities" include, among other things, (i) shares, corporate bonds, preferred securities, share warrants and share subscription rights, etc., and (ii) certificates, instruments or depositary receipts issued by a foreign juridical person, which have the nature of the above category (i), and which are listed on a Japanese stock exchange, etc. "Related securities" include certificates or instruments representing an option with respect to specified securities and the following securities: (i) investment trust beneficiary securities or investment securities, of which the trust assets are limited to specified

securities of the relevant Listed Company, etc.; and (ii) other bonds redeemable with another company's shares (including those issued by a foreign juridical person), etc.

In addition to the above, any person who is a person related to takeover bidders, etc. of the Listed Company, etc., prior to the disclosure concerning the performance of a takeover bids, etc., purchases (or, in the situation where a publicly disclosed takeover bid is to be discontinued and the discontinuation is yet to be publicly disclosed, sells) the shares, etc. of such Listed Company shall be punished by imprisonment for not more than five years or by a fine of not more than ¥5 million, or both. Also, if a representative person of a company such as a director, or an agent, employee, or other worker of a company violated the insider trading regulations with regard to the business or property of the company, the company is liable to be punished by a fine of not more than ¥500 million. In addition, any profits which are derived from insider trading are forfeited.

18. OBLIGATIONS OF HDR HOLDERS UNDER JAPANESE LAWS AND REGULATIONS

HDR Holders will be subject to the following obligations under Japanese laws and regulations:

- Filing of large shareholding report under the FIEA (see "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 13. Large Shareholding Report" in the Listing Document).

- Filing of sale-purchase report and short-swing regulation for major shareholders under the FIEA (see "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 14. Sale-Purchase Report and Short-Swing Regulation" in the Listing Document).

- Certain reporting requirements under the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended) (see "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 10. Exchange Control" in the Listing Document).

- Notification requirement prior to the acquisition of shares under the Act Relating to Prohibition of Private Monopoly and Methods of Preserving Fair Trade of Japan (Act No.54 of 1947, as amended) (see "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 15. Notification Requirement under the Anti-Monopoly Act" in the Listing Document).

- Takeover regulations (see "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 12. Takeover Regulation in Japan" in the Listing Document).

- Certain trading regulations, including insider trading regulations (see "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 17. Insider Trading Regulations" in the Listing Document) under the FIEA.

- Taxation (see "Appendix IV — Summary of Legal and Regulatory Matters — Part A. Summary of Japanese Legal and Regulatory Matters — 11. Taxation" in the Listing Document).

We are of the view that it would be reasonable to consider that the relevant obligations of HDR Holders under Japanese law are addressed in the above description. However, the legal and regulatory implications depend on various factors in each case, and hence it is recommended that investors seek independent advice on possible obligations under Japanese law and regulations.

19. SHARE ACQUISITION RIGHTS

(a) Legal framework for issuance of Share Acquisition Rights in Japan

Unlike in other jurisdictions, Japanese companies conventionally do not have underlying share option plans established for the purposes of setting out the basic terms of share options (such as the maximum number of the SARs that the directors or the administrators of the scheme are authorized 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 company that issues SARs resolves the exact terms of the SARs by a resolution of the board of directors or a shareholders' meeting each time it intends to issue SARs in accordance with the Companies Act.

The terms of SARs to be determined by a shareholder resolution or a 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 issuance of SARs, the Companies Act determines whether such resolution is to be made at a board meeting or at a shareholders' meeting. For example, in a company that does not place a restriction on transfer of all classes of its shares (such as the Company), in principle the resolution of the Terms of SARs is made by the board.

However, under the Companies Act, the remuneration of directors and statutory auditors must be resolved at a shareholders' meeting unless otherwise provided for in the articles of incorporation. Therefore, if SARs are being issued to the Directors or Statutory Auditors of the Company as part of their remuneration, a Shareholders' resolution is required in addition to the Board or Shareholders' resolution that determines the Terms of SARs, unless the Articles of Incorporation provide otherwise.

The concept of SARs, which entitle the holders to acquire shares in a company by exercising such rights against the company, was introduced to the Companies Act (at that time, named the Commercial Code) in 2001. Prior to the introduction of share acquisition rights, a company granted Warrants, which entitle the holders to require the company to issue new shares to them, to directors and/or employees of the company as a form of remuneration. The concept of Warrants was abolished in 2006 and therefore, a company is no longer able to issue Warrants under Japanese law. Our Company has no outstanding Warrants.

(b) Disclosure of issuance of Share Acquisition Rights by the Company to its directors and employees as remuneration (stock option)

When a company listed on the TSE determines the issuance of SARs to its directors and employees as remuneration (stock option), it is required to make an announcement which includes, among others, the following items in accordance with the TSE Listing Regulations: (i) the reason for issuance of SARs; (ii) category of grantees (e.g. employees); (iii) the number of grantees and SARs to be allotted; (iv) the class of shares to be issued upon exercise of the SARs; (v) the number of shares to be issued upon exercise of the SARs; (vi) total number of SARs; (vii) exercise price or the method used to calculate it; (viii) exercise period; (ix) conditions of exercise; (x) the amount of increase of stated capital and reserves upon the exercise of the SARs; (xi) treatment of SARs in connection with reorganization such as merger; (xii) the date of allotment of SARs; and (xiii) treatment of SARs in the case of issuance of certificates.

In addition, when a listed company determines the issuance of SARs to its directors and employees as remuneration (stock option), it is required to file an extraordinary report with DGLFB without delay which includes, among others, the following items in accordance with the FIEA: (i) name of SARs; (ii) the number of SARs; (iii) issue price; (iv) total issue price; (v) the class and the number of shares to be issued upon exercise of the SARs; (vi) exercise price; (vii) exercise period; (viii) conditions of exercise; (ix) the amount of increase of stated capital and reserves upon the exercise of the SARs; (x) matters regarding transfer restriction; (xi) the number of grantees and breakdown; (xii) the relationship between the company and its wholly-owned company when the SARs are granted to officers or employees of such a wholly-owned company; and (xiii) any arrangement between the company and the grantees.

Under the Companies Act, companies are required to prepare and disclose a business report annually. The following matters with respect to SARs which are issued to its directors and employees as remuneration (stock option) are required to be disclosed in the business report: (i) the date of the resolution of the meeting of board of directors; (ii) category of grantees (such as directors, outside directors, statutory auditors and employees) and the number of grantees in each category; (iii) issue price; (iv) exercise price; (v) exercise period; (vi) conditions of exercise; (vii) the number of outstanding SARs; and (viii) the class and the number of shares subject to the outstanding SARs.

Further, a listed company is required to prepare and disclose an SRS annually and a quarterly report in accordance with the FIEA. The following matters with respect to SARs which are issued to its director and employees as remuneration (stock option) are required to be disclosed in such report: (i) the date of the resolution of the meeting of board of directors; (ii) category of grantees and the number of the grantees in each category; (iii) the class of shares to be issued upon exercise of the SARs; (iv) the number of shares to be issued upon exercise of the SARs; (v) exercise price; (vi) exercise period; (vii) conditions of exercise; (viii) matters regarding transfer of the SARs; matters regarding payment in kind of exercise price; and (ix) matters regarding delivery of SARs in connection with reorganization such as a merger.

(c) Issuance of the SARs by the Company and its subsidiaries

Set out below is a summary of the terms of the SARs which have been issued pursuant to resolutions of the board of directors or a shareholders' meeting of the Company or its consolidated subsidiaries pursuant to the Companies Act.

(i) *Purpose*

Under the Companies Act, there is no requirement for a company to resolve the purpose for issuing SARs. The TSE require, however, a listed company to publish the purpose of issuing SARs (including issuance of SARs as stock options to its or its subsidiaries' officers and/or employees) immediately after a resolution for the issuance of SARs to its or its subsidiaries' officers and/or employees has been passed. As the Company is listed at the TSE, the Company has published the purpose for issuing SARs each time it has issued SARs.

The SARs have mainly been issued for the purpose of providing an incentive to our Group's officers, such as directors, employees and other related persons, by permitting them to participate in the equity ownership of our Group through the issuance of the SARs.

(ii) ***Eligibility***

Under the Companies Act, there are no restrictions on the eligibility of grantees of SARs. The eligibility of the grantees of the SARs has been determined each time the Company or the consolidated subsidiaries has issued SARs. The SARs have been generally issued to officers and employees of the Company, subsidiaries and affiliated companies.

(iii) ***Number of shares authorized to be issued upon exercise of the SARs***

Under the Companies Act, the number of shares issued upon exercise of the SARs is to be determined by a resolution of the board of directors or a shareholders' meeting each time when a company issues SARs. However, the number of shares that the holders of SARs acquire upon the exercise of their SARs (except for those with respect to which the exercise period has not yet begun) may not exceed the total number of authorized shares subtracted by the total number of shares outstanding (excluding Treasury Stock).

The aggregate number of the Shares to be granted upon the exercise of the SARs of the Company is 231,700 Shares (based on filings made on or before the Latest Practicable Date).

(iv) ***Maximum entitlement of each participant***

Under the Companies Act, a company decides, by a resolution of the board of directors or shareholders' meeting, how many and to whom it issues SARs each time it issues them. In principle, possible grantees do not have any entitlement to subscribe for them.

The numbers of the SARs were determined by way of a resolution at a board meeting or a shareholders' meeting each time the Company or its consolidated subsidiaries issued the SARs (the "**SAR Resolution**"), and all of the SARs have already been granted pursuant to the SAR Resolutions.

(v) ***Exercise period***

Under the Companies Act, there are no restrictions on the exercise period of SARs. The exercise period is to be determined by a SAR Resolution. The exercise periods of the SARs are generally within ten years after the date of the resolution for the grant of the SARs.

(vi) ***Minimum period prior to vesting of the SARs***

Under the Companies Act, the date for vesting SARs is to be determined by a SAR Resolution. The SARs were all vested on the respective vesting dates.

(vii) ***Performance targets for exercise of the SARs***

Under the Companies Act, there are no restrictions relating to performance targets for the exercise of SARs. Under the SAR Resolutions, there is generally no performance target for exercise of the options.

(viii) ***Amount payable on subscription for the SARs***

Under the Companies Act, the amount payable on subscription for SARs is to be determined by a SAR Resolution. However, a resolution by a two-thirds majority of a

shareholders' meeting is required if: (i) SARs are to be issued without monetary consideration and such issuance is "especially favorable" to the grantees of the SARs; or (ii) the amount payable for the SARs is "especially favorable" to the grantees (either (i) or (ii) being a Favorable Issuance). The directors of the issuing company must explain the reasons for the Favorable Issuance at the shareholders meeting.

Under the SAR Resolutions there is no requirement for a subscriber to pay consideration for subscription.

(ix) *Basis of determination of exercise price*

Under the Companies Act, there are no restrictions on the exercise price. The exercise prices of the SARs or the methods for calculating such prices were determined by a SAR Resolution.

(x) *Votes, dividends, transfer and other rights attaching to the underlying shares*

Under the Companies Act, there are no restrictions on the rights attaching to the underlying shares. The shares to be granted to the holders of the SARs upon exercise are ordinary shares of the issuing company and, therefore, the rights granted to the ordinary shares, such as voting rights, are attached to such shares.

(xi) *Circumstances under which the SARs will automatically lapse*

Under the Companies Act, SARs will automatically lapse if: (i) the grantees have not paid the amount owed for the subscription by the due date; (ii) the grantee becomes unable to exercise their SARs; (iii) a company that issued SARs ceases to exist due to a merger; (iv) a company that issued SARs is absorbed into another company due to a corporate split and such absorbing company grants SARs to the grantee in exchange for the SARs of the company that issued the SARs prior to the corporate split; or (v) a company that issued SARs becomes a wholly-owned subsidiary of another company due to share exchange or share transfer and such other company grants SARs to the grantee in exchange for the SARs of the company.

Under the SAR Resolutions, the conditions under which the grantees become unable to exercise the SARs (and therefore the SARs automatically lapse), if any, have been determined by a board resolution or a shareholders' resolution, or by an individual agreement between each grantee and the issuing company when the SARs were issued. Such conditions may include where: (a) the grantee is sentenced to imprisonment; (b) the grantee waives the SARs in writing; (c) the SARs were granted to officers or employees of the Company or its subsidiaries and the grantee loses his/her title as an officer or employee without justifiable reason such as expiry of the term or mandatory retirement; (d) the grantee carries out fraudulent acts or breaches vocational obligations; and (e) the grantee files for bankruptcy, civil rehabilitation, special conciliation procedures or such procedures are filed against the grantee, or seizure, provisional seizure, provisional disposition or coercive collection is ordered against the grantee.

(xii) *Adjustment of exercise price or number of shares subject to the SARs*

Under the Companies Act, there are no restrictions on how to adjust the exercise price or number of shares subject to SARs. Under the SARs, the adjustment of the exercise price and

the number of shares subject to SARs have been determined by a SAR Resolution and they are generally to be conducted using certain formulae.

(xiii) *Cancellation of unexercised SARs*

Under the Companies Act, if a company that has issued SARs intends to cancel SARs, such company has to acquire the SARs from the holders of SARs before canceling the SARs. In such case, the issuing company may not issue new SARs to the holders of SARs to be cancelled unless a new board resolution or shareholders' resolution for issuance of new SARs is made.

(xiv) Transferability of the SARs

Under the Companies Act, there are no restrictions on the transferability of SARs. The transferability of SARs is to be decided by a SAR Resolution. Under the SARs, transfer is prohibited or requires a board resolution.

20. THIRD PARTY ALLOTMENT

(a) No equivalent concept of pre-emptive rights under Japanese law

There is no concept of pre-emptive rights (as defined in the Listing Rules) under Japanese law. A Japanese company may issue Shares or SARs or dispose its Treasury Stock by public offering without approval of its shareholders. In addition, Articles 199 and 201(1) of the Companies Act allow a Japanese company to make a Third Party Allotment, subject to applicable pre-filing and disclosure obligations of any Third Party Allotment and the terms of the allotment being not especially favorable to the proposed allottees.

It is uncommon for a Japanese company to give shareholders rights to subscribe Shares or SARs. As such, shareholders' interests of a Japanese company are not protected in the same way under Japanese law as under Rule 13.36 of the Listing Rules. See "Appendix V — Waivers — B. Additional Waivers Obtained — Pre-emptive Rights (Including General Mandate Requirements)" in the Listing Document for details. However, the Companies Act, the FIEA and the TSE Listing Regulations together provide significant protection to shareholders of companies listed on the TSE with regard to a Third Party Allotment.

(b) Shareholders' protection under the TSE Listing Regulations

The TSE Listing Regulations impose certain requirements on Third Party Allotments. For example, Article 432 of the TSE Listing Regulations provides that if the shares being allotted represent more than 25% of the total issued shares prior to such allotment, or where there is a possibility that the controlling shareholder may change as a result of such allotment, the issuer must (and unless the issuer's financial situation is rapidly deteriorating and the relevant stock exchange deems it too difficult for the issuer to comply) either: (i) obtain the opinion of a person independent from the management regarding the necessity and suitability of such allotment; or (ii) seek the shareholders' approval in advance of the proposed allotment.

Further, according to Article 601(1)(xvii) of the TSE Listing Regulations and Article 601(13)(vi) of the Enforcement Rules of the TSE Listing Regulations, if our allotted Shares represent more than 300% of our total issued share capital prior to the Third Party Allotment, we will be delisted unless the TSE deems that the risk of the Third Party Allotment harming the interests of our Shareholders and the investors is low.

Where a listed company's controlling shareholder (as defined in the TSE Listing Regulations) wishes to participate in a Third Party Allotment, Article 441-2 of the TSE Listing Regulations requires the listed corporation to obtain an opinion from a third party independent from the controlling shareholder confirming that any decision by the listed corporation on the allotment will not be detrimental to the interests of minority shareholders of the corporation.

(c) Shareholders' protection under the Companies Act

Article 201(3) to (5) of the Companies Act requires the issuer to either notify the shareholders individually or make a public notification of the terms of the proposed Third Party Allotment at least two weeks before the intended allotment day, unless such terms have already been previously disclosed in accordance with the FIEA.

Under the Companies Act, a public company generally may issue any number of new shares to any parties within the number of the authorized shares as specified in the company's articles of incorporation or any number of new SARs subject to the restrictions mentioned below by a resolution of its board of directors. However, the Companies Act imposes certain restrictions on the issuance of shares by a public company to protect the existing shareholders from unfair dilution of their shareholdings. For example, under Articles 199(2) and 201(1), and 238(2) and 240(1) of the Companies Act, if a company issues: (i) the new shares at an especially favorable subscription price; or (ii) SARs at an "especially favorable" subscription price or with "especially favorable" conditions, the company would need to obtain the approval of its shareholders by way of a special resolution (Article 309(2)(v) and (vi) of the Companies Act). In the event that the company fails to obtain such shareholders' approval by way of a special resolution, shareholders of such company may petition a Japanese court for an injunction against the issuance of shares or SARs, subject to certain other requirements stipulated under the Companies Act.

(d) Shareholders' protection under the FIEA

We must file a SRS (which includes several matters regarding the Third Party Allotment described below and is disclosed to the public) in accordance with Articles 4(1) and 5(1) of the FIEA and must prepare a prospectus which includes certain information included in the SRS according to Article 13 of the FIEA in connection with Third Party Allotments. This SRS must be delivered to the investors (with certain exceptions such as qualified institutional investors) by the time the investors obtain the allotted shares.

The SRS is made publicly available through EDINET. The SRS must include the following information: (i) information on each allottee (e.g. name, address, stated capital, major equity holders and its holding ratio, the relationship between the issuer and the allottee, the reasons for the selection of the allottee, the number of shares to be allotted, policy for holding the shares, and details of the allottee to show whether the allottee has enough assets to acquire the allotted shares); (ii) share transfer restrictions attached to the allotted shares (if any); (iii) conditions of allotment of shares (e.g. details of the basis upon which the price of the shares to be allotted was calculated, whether the allotment was at a "favorable price" and the basis for our decision in such determination, and details of an opinion given by a statutory auditor or an independent third party); (iv) details of substantial shareholders after such Third Party Allotment; (v) details of any "large volume third party allotment" (i.e., whether or not the issuance of shares is a large volume third party allotment and why we are conducting this large volume third party allotment); (vi) the necessity of such large volume third party allotment (if applicable); and (vii) whether or not we have a plan for reverse stock split and its details (if applicable).

21. GENERAL

Skadden Arps Law Office, the Company's legal counsel on Japanese law, has sent to the Company a letter of advice summarizing certain aspects of the Companies Act. This letter is available for inspection as referred to in "Appendix VIII — Documents available for inspection" in the Listing Document. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction which such person believes may be applicable to such person is recommended to seek independent legal advice.

PART B. MATERIAL DIFFERENCES BETWEEN THE HONG KONG AND JAPANESE REGIMES IN RESPECT OF SHAREHOLDER PROTECTION MATTERS

SHAREHOLDER PROTECTIONS IN JAPAN

There are a number of protections available to our Shareholders, the key protections of which are outlined below.

Supervision and Regulation in Japan

As a listed company in Japan, we have adopted a stringent internal control system pursuant to the requirements of J-SOX, a legal framework for internal control provided in the FIEA for listed companies in Japan. J-SOX specifies additional requirements for financial reporting for listed companies in Japan. It also requires us to disclose management's report on internal control over financial reporting in its annual securities report. The independent auditors of the Company, audit and issue independent auditor's report on management's report, including any material weaknesses identified through the evaluation process by the independent auditors. Our Directors, Statutory Auditors and external auditors may be subject to criminal charges on non-compliance with J-SOX and may be held liable to compensate Shareholders for damages caused by false statements.

Company's Corporate Governance and Shareholder Protection Policies

We have established our corporate governance structure in accordance with the requirements of Japanese law. We have a total of nine Directors, of whom five are independent non-executive Directors. We have also established a Board of Statutory Auditors, which has functions and responsibilities equivalent to those of the audit committee under the Listing Rules. In addition to their audit function, the Statutory Auditors, all of whom are independent from our Company, have a wide range of supervisory role to ensure that the Directors comply with applicable laws and make prudent business decisions. They are entitled to conduct investigations into our business and demand the cessation of certain actions by Directors that are outside the scope of their powers, or in violation of the law. Our Statutory Auditors also have the responsibility for overseeing the risk management, internal control and compliance committees of our Company. Thus, they provide a useful check and balance to the powers of the Directors and provide certain protections to our Shareholders. See the section headed "Directors and Senior Management" in the Listing Document.

TSE Listing Regulations and the FIEA

We are subject to the TSE disclosure requirements, which are very similar in substance to the requirements under the Listing Rules. We are required to report financial results quarterly and annually, disclose price-sensitive information on a timely basis within the next business hour of the occurrence of the relevant event or, where the event occurs outside business hours, on the first business hour of the next business day, and disclose detailed extraordinary reports in respect of material transactions, such as

Statutory Transactions, and acquisitions or disposals valued at greater than certain applicable thresholds. The TSE Listing Regulations provide a detailed and exhaustive list of announceable events, which include those that are price-sensitive as well as a "sweep-up" provision that requires the disclosure of material events affecting our Company, which is similar in principle to the general duty of disclosure contained in the Listing Rules.

Protections under the Companies Act and the FIEA

Japanese law provides certain additional rights to shareholders. Under the Companies Act, there are a number of retrospective actions that a Japanese company's shareholders are entitled to bring against the company in the event that their rights have been marginalized or an abuse has been committed against the company. When a grossly improper resolution is made, including where such resolution is made as a result of a person having a special interest in the subject matter of the resolution, that resolution may be revoked by a court of justice of Japan within three months from the date of the relevant resolution by the petition of any shareholder in accordance with the Companies Act. Further, in the event that a Director or a Statutory Auditor breaches any of their duties to our Company, he/she would face civil liability for any penalties imposed on, or loss or damages incurred by, our Company as a result of such breach. In accordance with the Companies Act, Directors and Statutory Auditors are required to perform their duties in a loyal manner in compliance with all applicable laws and regulations, our Articles, and all resolutions of Shareholders' meetings. Shareholders may bring derivative action against our Directors and Statutory Auditors for any breach of such duties. Further, Directors are re-elected on an annual basis by our Shareholders. As such, Shareholders have opportunities to challenge the tenure of any Director who has been acting in a way that is detrimental to the minority Shareholders/our Shareholders, which is an incentive to the Directors to act fairly and responsibly towards the minority Shareholders/our Shareholders.

SHAREHOLDER PROTECTIONS UNDER THE JOINT POLICY STATEMENT

Amendment to constitutional documents

Pursuant to Hong Kong law, any change to the constitutional documents of a company requires the approval of shareholders with a three-quarter majority vote in a general meeting. Under Japanese law, in order to amend the articles of incorporation, the resolution of the shareholders' meeting shall be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Variation of rights

Pursuant to Hong Kong law, rights attached to any class of shares of a company may only be varied with the approval of shareholders with a three-quarter majority vote in a general meeting. Under Japanese law, in order to vary the rights attached to any class of shares, the resolution of the general shareholders' meeting shall be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. Moreover, if a proposed amendment would be detrimental to shareholders of such class of shares, the resolution of the class shareholders' meeting must be approved by at least two-thirds of the voting rights of the class shareholders present at a meeting where the class shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

Liability to the company

Pursuant to Hong Kong law, notwithstanding anything in the memorandum or articles of a company, any alteration in the constitutional document to increase an existing shareholder's liability to the company is not binding unless agreed by the shareholder in writing, either before or after the alteration is made. Under Japanese law, existing shareholders are not subject to any liability to the Company except to the extent of the amount payable in respect of the shares such existing shareholders subscribed or purchased when they acquired such shares. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

Winding up

Pursuant to Hong Kong law, the voluntary winding up of a company must be approved by shareholders with a three-quarter majority vote in a general shareholders' meeting. Under Japanese law, in order to voluntary wind up a company, the resolution of the shareholders' meeting must be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

Auditors

Pursuant to Hong Kong law, the appointment, removal and remuneration of auditors must be approved by shareholders with a majority vote in a general shareholders' meeting. Under Japanese law, in order to appoint and approve the remuneration of the statutory auditors of a company, the resolution of the shareholders' meeting must be approved by a majority vote. Under Japanese law, the removal of the statutory auditors of a company requires a resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Register of members

Pursuant to Hong Kong law, a company must ensure that its branch register of members in Hong Kong is open to inspection by shareholders. Japanese law provides that a company must prepare and maintain a shareholders' register at its head office (or at the office of the administrator of the shareholders' register if the company has such an administrator) and make the shareholders' register available for reasonable inspection or copying during normal business hours. However, under Japan's Personal Information Protection Law, Japanese companies may not disclose the shareholders register to a non-shareholder of the relevant company. In the case of our Company, the Depositary will maintain in Hong Kong, and make available for inspection, a register of HDR Holders.

Compulsory Acquisition

Pursuant to Hong Kong law, the minority shareholders of a company may be bought out or may require an offeror to buy out their interests if the offeror acquires nine-tenths in value of the shares for which the offer is made (or if the offer relates to shares of different classes, nine-tenths in value of the shares of that class). Japanese law provides that upon an offeror acquiring two-thirds of the voting rights of a company's shares, the offeror may compulsorily acquire the shares held by the remaining shareholders.

While there is no restriction in relation to the compulsory acquisition price, if the compulsory acquisition price is too low, the shareholders may, within three months from the day of the passing of the resolution of the shareholders' meetings regarding the compulsory acquisition, claim revocation of the resolution as a grossly improper resolution under the Companies Act. The FIEA also requires the offeror to make an offer to purchase all classes of shares with voting rights of the offeree company if such offeror owns, together with its related persons, two-thirds or more of the voting rights in the offeree company after the successful takeover. Where a shareholder has objected and voted against a compulsory acquisition resolution at a shareholders' meeting, or a shareholder does not have a voting right at the shareholders' meeting, such shareholder may request the company to repurchase his shares at a fair price under the Companies Act, and if the company and shareholder are not able to reach an agreement on the fair price within 30 days from the effective date of such compulsory acquisition resolution, such shareholder may petition a Japanese court to determine the fair price within 30 days from the expiry date of the 30-day discussion with the company.

Accordingly, the standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

Meetings

Pursuant to Hong Kong law, a company is required to hold a general meeting each year as its annual general meeting. Not more than 15 months shall elapse between the date of one annual general meeting of a company and the next. Japanese law provides that a Japanese company must hold an annual general meeting within three months from the end of its financial year. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Right to convene meetings

Pursuant to Hong Kong law, shareholders holding not less than 5% of the paid-up capital of a company may require the company to convene an extraordinary general meeting and may request the company to circulate a resolution proposed by the requisitionists to members entitled to receive notice of that meeting. Japanese law provides that only shareholders that have held for the last six consecutive months not less than 3% of the votes in a company may request for a shareholders' meeting and if a shareholders' meeting is not held within eight weeks from the date such request was made, such shareholder may petition the court for a shareholders' meeting. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

Notice of meetings

Pursuant to Hong Kong law, a company must ensure that any annual general meeting or any extraordinary general meeting at which a resolution that requires the approval of shareholders by three-quarter majority vote will be proposed shall be convened on at least 21 days' written notice, and that any other general meeting shall be convened on at least 14 days' written notice. Japanese law provides that companies must dispatch notice of a shareholders' meetings at least two weeks prior to the day of such meeting. The same notice period applies for special and ordinary resolutions. A shareholder is permitted to propose an amendment to any agenda item scheduled to be discussed and determined at a shareholders' meeting up to and including at the meeting itself, which can include the nomination of a director. This restricts the ability of shareholders to consider how they intend to vote without reasonable advance notice, however this remains a theoretical rather than an actual risk, owing to the scarcity of instances in which it has occurred.

Voting

Pursuant to Hong Kong law, an overseas company must adopt general provisions as to meetings and voting on terms that are comparable to those required of a Hong Kong incorporated public company. Japanese companies have similar procedures for the distributions of notices and voting. Notice of shareholders' meetings will be published on our website as well as the website of the Hong Kong Stock Exchange. To address the differences between the requirements under the Companies Act and the Listing Rules, we will adopt the following voluntary abstention process with regard to voting at Shareholders' meetings:

- any transaction agreement that is subject to Shareholders' approval under the provisions of the Listing Rules and in which a Shareholder has a material interest will contain a condition precedent that we have to obtain a confirmation from our compliance advisor or another independent financial or legal advisor (the "**Expert**") that the resolution would have been successfully passed if the votes cast had excluded the abstaining Shareholders' votes;

- we will convene a Shareholder's meeting to seek Shareholder's approval pursuant to the condition precedent in such transaction agreement;

- we will appoint the Expert to review the vote counted by the share registrar and confirm that the resolution would have been successfully passed if the votes cast had excluded the abstaining Shareholders' votes under Rule 2.15 of the Listing Rules; and

- we will implement such transaction only if the condition precedent is satisfied (i.e. the Expert has provided the relevant confirmation).

We are of the view that the above voluntary measures should be permissible under the applicable Japanese laws and regulations that are currently in force as of the date of the Listing Document on the basis that (i) while there are no definitive provisions in the Companies Act, it is generally accepted that reasonable closing conditions, such as approval by regulatory authorities, may be included in a contract for a transaction that requires shareholder approval under the Companies Act; (ii) obtaining the Expert's confirmation pursuant to the voluntary abstention process would likely be regarded as a reasonable closing condition because the Company, as a listed company on the Hong Kong Stock Exchange, is required to comply with Rule 2.15 of the Listing Rules; and (iii) the closing condition would be disclosed to all Shareholders prior to the relevant Shareholders' meeting, and therefore, the Shareholders who vote on the transaction should be aware of, and vote on the basis of, the transaction as a package including that conditions.

Proxies

Pursuant to Hong Kong law, proxies or corporate representatives may be appointed to attend general meetings and such proxies or corporate representatives should enjoy statutory rights, including the right to speak at such meetings. In addition, Hong Kong companies must insert a prominent statement of each shareholder's right to appoint proxies in the notice of general meeting. The Companies Act allows shareholders to appoint multiple proxies or corporate representatives subject to the company's articles of incorporation. It is common for Japanese companies to restrict the identity of proxies for orderly conduct of their shareholders' meetings. Our Articles provide that a Shareholder can only appoint another Shareholder to act as proxy, whereas Hong Kong law has no such restriction. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

Voting by poll

Pursuant to Hong Kong law, shareholders must be able to demand a poll. Japanese law provides that a single shareholder may demand a vote on a proposal so long as it relates to a matter listed on the agenda for the shareholders' meeting. Furthermore, under the Companies Act, any shareholder may propose a specific method for voting at shareholders' meetings. We are required to use voting cards (the number of Shares held by the Shareholder is indicated on the voting card) which have the same effect of a vote by way of a poll. If a Shareholder is permitted to split his vote under Article 313 of the Companies Act, the relevant Shareholder is required to notify us that he will diversely exercise his or her votes and provide reasons for doing so no later than three days prior to the day of the shareholders meeting. There are no statutory forms of such notice under the Companies Act. In such cases, the relevant Shareholder will specify the number of votes "for" or the number of votes "against" the proposal in a separate sheet. These votes indicated on separate sheets and the votes by voting cards will be aggregated, which have the same effect of a vote by way of a poll.

Japanese companies with not less than 1,000 shareholders and Japanese listed companies (including our Company) have to adopt voting cards (which operate in a similar way to a ballot paper) as a voting method under the Companies Act (and the FIEA), and generally, we use such voting cards as the voting method for our Shareholders' meetings. Therefore, in practice, the voting method at our Shareholders' meetings is conducted by way of a poll in any case. In the event that the results of the relevant resolutions are known in advance of the meeting on the basis of the voting cards, there will either be a token count or a declaration of the results at the general meeting, in which case the meeting will have in effect been held by way of a poll. If the result of a resolution is undecided by the commencement of the general meeting, the chairperson will conduct a show of hands or poll by voting cards, but these votes will be aggregated with the voting cards and counted individually, thus the decision will, in effect, be taken by way of a poll. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Appointment of directors

Pursuant to Hong Kong law, the appointment of each director is required to be voted on individually. An unanimous approval of the shareholders is required to pass a resolution permitting appointment of two or more directors by a single resolution. Japanese law does not require the appointment of each director to be voted on individually except if the voting is conducted in writing (including by way of voting card). The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law as this is purely an administrative matter.

Declaration of interest

Pursuant to Hong Kong law, a director is required to declare any material interest in any contract with a company at the earliest meeting of the board of directors of the company. A company is also required to include in any notice of its intention to move a resolution at a general meeting or class meeting particulars of the relevant interests of directors in the matter dealt with by the resolution. Under the Companies Act, a director must report all the material facts, including his/her interest, with respect to such transaction at the meeting of the board of directors to approve the relevant transaction prior to voting on it. Any such director with an interest in the transaction is not entitled to be counted in the quorum for voting on the transaction. Directors are not required to declare any material interest in any transaction with the company as soon as practicable after he/she is aware of such interest, but as the interest must be declared prior to approval of the transaction and the relevant director is not entitled to have his or her vote counted towards a quorum, this is not materially detrimental to shareholders. The

standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Loans to directors

Pursuant to Hong Kong law, a company may only make loans to a director in certain limited circumstances. The Companies Act does not contain specific provisions on loans to, or credit transactions with, directors, but such transactions will be governed by Article 356 and Article 365 of the Companies Act which restrict transactions that result in a conflict of interest. Although companies are not prohibited from entering into transactions with their directors, such transactions must be approved by a vote of the board of directors which excludes the interested director from voting and being counted for the quorum. The relevant director must also report all material facts relating to such transaction at the meeting of the board of directors and after such transaction takes place without delay. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Payments to directors

Pursuant to Hong Kong law, any payment to a director or past director of a company as compensation for loss of office or retirement from office is required to be approved by shareholders with a majority vote at a general meeting. Japanese law provides that any remuneration, compensation or other payment made to directors, statutory auditors, past directors or past statutory auditors of a company must be approved by shareholders of the company or be provided for in its articles of incorporation. Further, the aggregate amount of such payment to be made to directors as a whole must be approved at a shareholders' meeting and disclosed in the convocation notice for such meeting. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Alteration of share capital

Pursuant to Hong Kong law, any alteration of share capital in the company must be approved by shareholders with a majority vote in a general meeting. Japanese law provides that an increase in the number of authorized shares to be issued can only be made by an alteration of a company's articles of incorporation, which requires the resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Reduction of share capital

Pursuant to Hong Kong law, any reduction of share capital in a company must be subject to confirmation by the court or supported by a solvency statement given by all directors of the company and be approved by shareholders with a three-quarter majority vote in a general meeting. Japanese law permits a company to reduce its share capital without a court confirmation and instead by way of a resolution of the shareholders' meeting to be approved by at least two-thirds of the voting rights of the shareholders present at a meeting where the shareholders holding at least one-third of the voting rights who are entitled to exercise their voting rights are present. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

Redemption of shares

Pursuant to Hong Kong law, a company may only redeem its shares out of distributable profits or fresh proceeds from a new issue of shares. Japanese law does not have a concept of redeemable shares, but any shares to be purchased by a company must be acquired from distributable profits. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Distribution of assets

Pursuant to Hong Kong law, a company may only distribute its assets to its shareholders out of realized profits and, if out of assets, the remaining net assets must not be less than the share capital plus undistributable reserves. Japanese law similarly provides that distributions may only be made out of distributable amounts. A company's distributable profits are the aggregate amount of capital surplus and retained earnings surplus at the end of the last fiscal year subject to certain adjustments. Our Articles permit forfeiture of dividends that remain unpaid within three years upon which payment was available, although Appendix 3 of the Listing Rules provides that this period should be six years. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law.

Financial Assistance

Pursuant to Hong Kong law, a company is prohibited from giving financial assistance for the acquisition of its shares or shares in its holding company in certain circumstances. Although there are no specific provisions in the Companies Act that are intended to prevent financial assistance, giving direct or indirect financial assistance for the acquisition of its shares or shares in its holding company that results in a reduction of the net assets of a company would amount to a violation of fiduciary duty of directors and other officers, unless there is a reasonable ground for doing so. The standard of shareholders' protection under Japanese law is not materially different to that under Hong Kong law.

The International Organization of Securities Commission

The Financial Services Agency, which is the statutory securities regulator of Japan, is a member of the International Organization of Securities Commission and a signatory of the IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

SHAREHOLDER PROTECTIONS IN HONG KONG

Certain shareholder protections provided under the Listing Rules and the SFO, and the measures taken by us to address the differences, where applicable, between the relevant laws and regulations of Hong Kong and Japan are outlined below.

Disclosure of information

Rules 13.11 to 13.23 of the Listing Rules require disclosure of information in relation to specific matters relevant to a company's business, including advances to an entity, financial assistance and guarantees to affiliated companies, the pledging of shares by the Controlling Shareholder, loan agreements with covenants relating to specific performance of the Controlling Shareholder, and breach of loan agreements by a company. Under the FIEA and the TSE Listing Regulations, we are subject to an exhaustive list of events that would trigger an announcement, submission or equivalent public disclosure obligation on us and a "sweep-up" provision which is provided in Article 402(ap) of the TSE Listing Regulations and the cabinet office ordinance promulgated under the FIEA which requires an announcement of any material event affecting us to be made on a timely basis within one business hour of the business day of its occurrence. Certain of those matters, such as financial assistance, do not affect a Japanese company and we will continue to follow the disclosure of information rules provided by the FIEA and the TSE Listing Regulations, and to adopt the general duty of disclosure in Rule 13.09(1) of the Listing Rules. We have been granted an automatic waiver under the Joint Policy Statement from strict compliance with Rules 13.11 to 13.23 of the Listing Rules. See "Appendix V — Waivers — A. Automatic Waivers" in the Listing Document.

We currently issue our corporate communications by making an announcement on the TSE website and/or by publishing a notice on our website. We will issue all future corporate communications required under the Listing Rules (including convocation notices for Shareholders' meetings) on our own website in Japanese, English and Chinese and on the Hong Kong Stock Exchange's website in both English and Chinese. In accordance with Rule 13.10B of the Listing Rules, we may make overseas regulatory announcements in English or Chinese or both. Such overseas regulatory announcements include announcements made by us on the TSE's website, but do not include any filings made by us or our Directors under the FIEA (certain filings required to be filed under the FIEA must be submitted through EDINET) unless they are otherwise also required to be disclosed under the TSE Listing Regulations. Information submitted through EDINET is available for public inspection. Accordingly, HDR Holders, Shareholders and the public should refer to the Company's website, the TSE website and EDINET for announcements and filings of the Company.

While most corporate transactions, such as merger, corporate demerger, share exchange and business transfer, are required to be disclosed under the FIEA and the TSE Listing Regulations and therefore will be disclosed by way of overseas regulatory announcements on the Hong Kong Stock Exchange's website, EDINET also includes certain filings which would not typically be treated as material information required to be disclosed under the Listing Rules in Hong Kong, for example, confirmations by us in relation to the appropriateness of the statements contained in the securities reports uploaded on EDINET and powers of attorney given by foreign shareholders to Japanese law firms to submit large shareholding reports on EDINET.

Notifiable transactions

Chapter 14 of the Listing Rules contains provisions dealing with notifiable transactions. In particular, where a listed company enters into a "notifiable transaction", then depending on the size of the transaction, it will have to: (i) notify the Hong Kong Stock Exchange; (ii) make an announcement of the transaction; and/or (iii) obtain prior shareholders' approval of the transaction. The Companies Act provides that certain transactions involving statutory acquisition procedures, such as mergers, share exchanges, business assignments and corporate splits require prior shareholders' approval of the transaction as well as announcements and additional public disclosure pursuant to the TSE Listing Regulations and the FIEA. Other than these Statutory Transactions, no other acquisitions or disposals require Japanese companies to seek shareholder approval, although they may be announceable under the TSE Listing Regulations in the event that a company is listed on these stock exchanges. Thus, the standard of shareholders' protection under Japanese law and regulations is not directly comparable with Hong Kong law.

We have been granted an automatic waiver under the Joint Policy Statement from strict compliance with the rules contained in Chapter 14 of the Listing Rules.

We will continue to comply with the continuing obligations relating to acquisitions and disposals of assets effected as Statutory Transactions.

Connected transactions

Chapter 14A of the Listing Rules contains provisions dealing with connected transactions. In particular, where a listed company enters into a "connected transaction", then depending on the size of the transaction, it will have to: (i) make an announcement of the transaction; (ii) report on the transaction in its next annual report; and/or (iii) obtain prior approval of the transaction of the shareholders independent of the transaction. We will continue to comply with the continuing obligations applicable to Related Party Transactions pursuant to the FIEA, the Consolidated Financial Statements Rule and the Companies Act, which restrict directors from voting on any board resolution approving the entry into a Related Party

Transaction that the relevant director has a material interest in. Thus, the standard of shareholder protection under Japanese law and regulations is not directly comparable with Hong Kong law.

We have been granted an automatic waiver under the Joint Policy Statement from strict compliance with the rules contained in Chapter 14A of the Listing Rules.

We will continue to comply with the continuing obligations relating to acquisitions and disposals of assets effected as Statutory Transactions.

Disclosure of interests

Part XV of the SFO provides that: (i) the directors and the chief executive of a listed company must disclose their interests and short positions in the shares, underlying shares and debentures of the listed company and its associated corporations within a specified time period after the interests arise or change; and (ii) shareholders interested in 5% or more of any class of shares in a listed company (other than directors and chief executives of the listed company) must disclose their interests and short positions in the shares and underlying shares of the listed company within a specified time period after the interests arise or change. The FIEA provides that persons who acquire title to, or a call option for, equity securities (or who are authorized to exercise (or instruct the exercise of) the voting rights and other rights attached to, or who are authorized to invest in, equity securities) including shares, share acquisition rights, bonds with share acquisition rights and similar securities that are issued or to be issued by the company that represent more than 5% of the outstanding voting rights of the company are required to publicly disclose the relevant dealing and such interests. Further, such persons who submitted the large shareholding report are required to publicly disclose any further acquisition or any disposal of an interest by 1% or more in any equity securities. The standard of shareholders' protection under Japanese law is similar to or comparable with that under Hong Kong law in respect of substantial shareholders, however the requirements relating to disclosures of interested directors of Japanese companies are not directly comparable with Hong Kong law. Directors or statutory auditors of Japanese companies, who deal in any shares of the company, are obliged to file a "Sale-Purchase Report" with the FSA by the 15th day of the month immediately following such dealing pursuant to the FIEA, as well as to disclose their holdings in the listed company's securities in their annual and, on some occasions, quarterly reports.

We have applied for, and the SFC has granted:

(a) us and our Shareholders, a partial exemption from strict compliance with Part XV of the SFO other than Divisions 5, 11 and 12 of Part XV of the SFO in respect of disclosure of Shareholders' interests; and

(b) any of our directors or chief executive, a partial exemption from strict compliance with the requirement to give notification of their interests within three business days after the day on which the relevant event occurs under section 348(1) of the SFO by extending the time of notification to within five business days after the day on which the relevant event occurs or comes to the director's or chief executive's knowledge under sections 341 and 347 of the SFO.

The partial exemption is granted on the conditions that:

(a) we must disclose in the listing documents in respect of the HDRs the grant of this partial exemption, setting out the relevant details including the listing rules requirements, scope of the exemption and the conditions imposed;

(b) we must file with the Hong Kong Stock Exchange any disclosure of interests (except for directors and chief executives) made in Japan as soon as practicable on the basis that the Hong Kong Stock Exchange will publish these disclosures in the same way as those it receives from other listed corporations pursuant to Part XV of the SFO;

(c) we must report to the SFC within 10 business days after the end of each calendar month the percentage of that month's average daily worldwide share turnover that took place on the Hong Kong Stock Exchange. The first report should cover the period from the Listing Date to the end of the month of listing and this obligation to report shall continue until such time as the SFC advises otherwise in writing and in any case for no less than 12 months following the listing. It should be noted that the SFC has subsequently advised us that the submission of such monthly share turnover reports is no longer required (we shall inform the SFC if there is any material change to the monthly average trading volume); and

(d) we must advise the SFC as soon as practicable if there is any material change in any of the information which we have given to the SFC, including any significant or material change to the disclosure requirements in Japan and any exemption or waiver from the disclosure requirements in Japan so that the SFC may decide whether this partial exemption remains valid.

See also "Appendix V – Waivers – B. Additional Waivers Obtained – Disclosure of Interests Information" in the Listing Document.