

The Ministry of Justice, the Civil Affairs Bureau,
the Commercial Affairs Division No.14

January 29, 2021

To: The Directors of the Legal Affairs Bureau
To: The Director of the District Legal Affairs Bureau

The Director-General of the Civil Affairs Bureau, the
Ministry of Justice (Official
seal omitted)

Handling of Commercial and Corporate Registration Affairs Accompanying the
Enforcement of the Act for Partial Revision of the Companies Act, etc. (Circular
Notice)

The Act for Partial Revision of the Companies Act, etc. (Act No. 70 of 2019; hereinafter referred to as the "Amendment Act") and the Act on Revision etc. of Related Acts that Accompany the Enforcement of Partial Revision of the Companies Act (Act No. 71 of 2019; hereinafter referred to as the "Revision Act"), the Ministerial Ordinance for Partial Revision of Regulations on the Enforcement of the Companies Act, etc. (Ordinance of the Ministry of Justice No. 52 of 2020.) and the Ministerial Ordinance for Partial Revision of Regulations on the Enforcement of the Regulation on Commercial Registrations (Ordinance of the Ministry of Justice No. 2 of 2021; hereinafter referred to as the "Amendment Ordinance") will come into effect on March 1 of this year, so please inform the registrar under your jurisdiction of the following points regarding the handling of commercial and corporate registrations in connection with the above.

In addition, in this notice, "Act" refers to the Companies Act (Act No. 86 of 2005) following amendment pursuant to the Amendment Act; "Commercial Registration Act" refers to the Commercial Registration Act (Act No. 125 of 1963) following amendment pursuant to the Revision Act; "Regulations for Enforcement of the Companies Act" refer to Regulations for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of 2006) following amendment pursuant to the Ministerial Ordinance Revising a Part of the Regulations for Enforcement of the Companies Act, etc.; "Regulation on Corporate Accounting" refer to the Regulation on Corporate Accounting (Ministry

of Justice Order No. 13 of 2006) following amendment pursuant to the same Ministerial Order; “Regulations on Commercial Registrations” refers to the Regulations on Commercial Registrations (Ministry of Justice Order No.23 of 1964) following amendment pursuant to the Amendment Ordinance; and “Insurance Business Act” refers to the Insurance Business Act (Act No. 105 of 1995) following amendment pursuant to the Revision Act, and the term "Former" shall be used when referring specifically to articles prior to the revision.

Notice

Section 1. Special Provisions on Shares and Share Options as Remunerations etc. of Directors etc.

1. Special Provisions on Shares as Remunerations Etc. of Directors Etc. of a Listed Company

(1) Outline

In case where a stock company which issues the shares listed on a Financial Instruments Exchange under Article 2, paragraph 16 of the Financial Instruments and Exchange Act (Act No.25 of 1948) (hereinafter refers to as “Listed Company”) issues shares of the company or disposes treasury shares as remuneration etc. of directors or executive officers (hereinafter referred to as “Directors etc.” in 1.), monies and property contributed in kind shall not need to be paid in exchange for shares for subscription (Article 202-2, the first sentence of paragraph 1 and paragraph 3).

(2) Procedures for Issuance of Shares for Subscription as Remunerations etc. of Directors etc.

A. Provisions of Articles of Incorporation, Resolution at a Shareholders Meeting or Decision by Compensation Committee

In case where a stock company intends to issue its shares for subscription as remunerations of Directors etc., the following matters shall be stipulated by provisions of articles of incorporation, resolution at a shareholders meeting or decisions of compensation committee (concerning a company with nominating committees) (Article 361, paragraph 1, item (iii), Article 409, paragraph 3, item (iii) of Act, Article 98-2, and Article 111 of Regulations etc. on the Enforcement of the Companies Act.).

- (a) The maximum number of shares for subscription (for a company with class shares, the classes of the shares for subscription and the number of shares for subscription for each class) (in case of decisions by compensation committee, the

- number of such shares for subscription);
- (b) In case of having Directors etc. promise not to transfer shares for subscription to others until certain grounds arise, such fact and an outline of such certain grounds (in the case of decisions by compensation committee, certain grounds);
 - (c) In case of having Directors etc. promise to transfer shares for subscription to a stock company for free on the condition of occurrence of certain grounds, such fact and an outline of such certain grounds (in case of decisions by compensation committee, certain grounds); and
 - (d) In case of providing the conditions of allocation of shares for subscription to Directors etc. other than (b) and (c), the outline of such conditions (in case of decisions by compensation committee, such conditions).

B. Subscription Requirements

In case where a listed company issues shares for subscription pursuant to the provisions of A, it shall not need to prescribe the matters listed in Article 199, paragraph 1, item (ii) and (iv) (the amount to be paid in for the shares for subscription or the method for calculating such amount and the day or period for the payment of the monies in exchange for the shares for subscription etc.) (Article 202-2, the first sentence of paragraph (1), and (3) of Act). In this case, the following matters must be prescribed in addition to the matters listed in Article 199, paragraph 1, item 1, 3 and 5 (Article 202-2, the second sentence of paragraph 1 of Act).

- (a) To the effect that it shall issue shares for subscription or dispose treasury shares as remunerations of Directors etc. and that the payment of the monies or delivery of property contributed in kind in exchange for the offered shares for subscription provided is not required ; and
- (b) The day of allotment of the shares for subscription (hereinafter referred to as “day of allotment”).

C. Determination of Subscription Requirements

Subscription Requirements shall be decided by resolution of a board of directors (Article 201, paragraph (1), Article 202-2, paragraph (2) and Article 199, paragraph (2)).

In addition, as the amount to be paid in for the shares for subscription or the method for calculating such amount shall not be required to be prescribed, a special resolution of the shareholders meeting in case where the amount to be paid in is particularly favorable (Article 201, paragraph (1), Article 199, paragraph (2) and (3), and Article 309, paragraph (2), item (v) of Act) shall not be required.

D. Application and Allotment of Shares for Subscription

In case where there are provisions of B, a person other than Directors etc. pertaining to the provisions of A may not apply for shares for subscription or executes a contract for subscription for the total number of those shares (Article 205, paragraph (3) and (5) of Act).

In case where shares for subscription are shares with restriction on transfer, decision of allotment of shares for subscription or approval for a contract for subscription to accept the total number of those shares shall be subject to the resolution of a board of directors except as otherwise provided in the articles of incorporation (Article 204, paragraph (2), Article 205, paragraph (2) of Act).

E. Timing of Shareholder Status

A subscriber of shares for subscription shall become a shareholder on day of allotment (Article 209, paragraph (4) of Act).

F. Increase in the Amount of Stated Capital

The increase in the amount of stated capital due to issuance of shares for subscription shall be as follows, in accordance with the time when Directors etc. provide consideration for services as shares for subscription (Article 445, paragraph (6) of Act).

(a) Advance Allotment (in the case of providing services after allotment of shares)

In case where the Directors etc. provide consideration services as shares for subscription to a stock company in the course of their duties after day of allotment, while the amount of capital that increases at the last day of each business year (in case of intending to prepare or having prepared provisional financial statement, the day of provisional account closing date; hereinafter referred to as “Date of Changing Shareholders’ Equity”) shall be determined to be the amount obtained by subtracting the amount of b from the amount of a (if this is less than zero; zero; hereinafter referred to as “the Maximum Amount of Increase in Stated Capital etc.”.) and multiplied by the share issuance ratio (which refers to the ratio obtained by the number of shares to be issued upon such subscription by dividing the total number of the number of shares to be issued upon such subscription and the number of treasury share to be disposed), the amount that does not exceed half of such amount may not be recorded as stated capital but as capital reserve (Article 42-2, paragraph (1) to (3) of the Regulations on Corporate Accounting).

a. The amount obtained by subtracting the amount of (b) from the amount of (a)

(a) Fair unit value of consideration services as shares for subscription that Directors etc. have provided to a stock company in the course of their duties until such Day of Changing Shareholders’ Equity; and

(b) Fair unit value of consideration services as shares for subscription that Directors etc. have provided to a stock company in the course of their duties until Date of Changing Shareholders' Equity immediately before such Date of Changing Shareholders' Equity.

b. Among the amounts of expenses pertaining to the delivery of shares for subscription, the amount determined by a stock company as the amount to be subtracted from the maximum amount of increase in stated capital.

(b) Subsequent Allotment (in case of providing services before allotment of shares)

In case where the Directors etc. provide consideration services as shares for subscription to a stock company in the course of their duties before day of allotment, while the amount of capital that increases at day of allotment shall be determined to be the amount obtained by subtracting the amount of b from the amount of a and multiplied by share issuance ratio (if this is less than zero; zero; hereinafter referred to as "the Maximum Amount of Increase in Stated Capital etc."), the amount that does not exceed half of such amount may not be recorded as stated capital but as capital reserve (Article 42-3, paragraph (1) to (3) of Regulations on Corporate Accounting).

a. The book value of fair unit value of services that Directors etc. have provided in the course of their duties on day of allotment (the amount of stock subscription to be decreased. Article 54-2, paragraph (2) of Regulations on Corporate Accounting); and

b. Among the amounts of expenses pertaining to the delivery of shares for subscription, the amount determined by the stock company as the amount to be subtracted from the maximum amount of increase in stated capital.

(3) Procedures for Registration of Change Due to Issuance of Shares for Subscription as Remunerations etc. of Directors etc.

A. Period of Registration

In case where there is any change in the total number of outstanding shares, their kind, the number of each kind and the amount of stated capital in advance allotment case (limited to the case of increase) due to issuance of shares for subscription, the company must make a registration of the change within two weeks from day of allotment at the location of its head office (Article 915, paragraph (1) of Act).

In addition, with regard to the increase in the amount of stated capital in the case of advance allotment and increase in the amount of stated capital, the company must make a registration of change within two weeks from Date of Changing Shareholders' Equity at the location of its head office.

B. Information that Must Be Registered

The information that must be registered shall be the total number of outstanding shares, their kinds, the number of each kind, the amount of stated capital (limited to the case of increase) and date of the change.

In addition, while only a listed company is able to issue shares for subscription without deciding the matters listed in Article 199, paragraph (1), item (ii) and (iv), the confirmation of being a listed company shall be sufficient to confirm that such company is not a privately held company by the registration record etc.

C. Documents to be Attached

The following documents must be attached to applications for registration;

- (a) The articles of incorporation pertaining to the provisions of (2)A or in case where there is no such provisions, minutes of shareholders meetings and the document evidencing the names, the addresses and the number of votes etc. of main shareholders (hereinafter referred to as “Shareholders’ List”.) or the document evidencing the decision by compensation committee (Article 46 of Commercial Registration Act, Article 61, paragraph (1) and (3) of Regulation on Commercial Registrations);
- (b) Minutes of a board of directors pertaining to the decision of shares for subscription (Article 46, paragraph (2) of the Commercial Registration Act);
- (c) Documents evidencing the offers to the shares for subscription or contracts to execute for subscription for the total number of those shares (Article 56, item (i) of Commercial Registration Act);
- (d) In case where shares for subscription are the shares with restriction on transfer, minutes of a board of directors pertaining decisions on allotment or approval of contracts to execute for subscription for the total number of those shares (Article 56, paragraph (2) of Commercial Registration Act); and
- (e) In case of increasing in the amount of stated capital, the documents evidencing that the amount of stated capital is recorded pursuant to the provisions of Act and Regulation on Corporate Accounting (Article 61, paragraph (9) of Regulations on Commercial Registrations).

D. Registration and License Tax

Registration and License Tax of registration for change due to (2) mentioned above shall be 30,000 JPY per application in case of no increase in the amount of stated capital (Appended Table 1, No.24 (1)R of Registration and License Tax Act). In case of being accompanied by increase in the amount of stated capital, seven one-thousandth of the amount of such increased stated capital (in case where the amount of tax calculated pursuant to this is less than 30,000JPY, 30,000JPY per application) (Appended Table 1, No.24 (1)D of

Registration and License Tax Act). As long as registration of change in the total number of outstanding shares is simultaneously applied with the application of change in the amount of stated capital, its registration and license tax shall not be required to be paid.

2. Special Provisions Pertaining to Subscription Rights as Remunerations of Directors etc. of a Listed Company

(1) Outline

In case where a listed company issues subscription rights of the company as remunerations of Directors etc. or in exchange for payment by remunerations of Directors etc., payment of monies or payment of property contributed in kind shall not be required when such subscription rights are exercised (Article 236, paragraph (3) and (4) of Act).

(2) Procedures for Issuance of Share Options for Subscription as Remunerations of Directors etc.

A. Provisions of Articles of Incorporation, Resolution at a Shareholders Meeting or Decision by Compensation Committee

In case where the stock company intends to issue share options for subscription as remunerations of Directors etc. or in exchange for payment, it shall prescribe the following matters listed in (A) or (B) by provisions of articles of incorporation, resolution at a shareholders meeting or decisions of compensation committee (in case of a company with nominating committees).

(A) In case of issuance of Share options that do not require payment of monies etc. upon exertion of A as remunerations of Directors etc. (Article 361, paragraph (1), item (iv), Article 409, paragraph (3), item (iv) of Act, Article 98-3 and Article 111-2 of Regulations on the Enforcement of the Companies Act).

- a. The maximum number of share options for subscription (in case of decisions by compensation committee, the number of share options for subscription);
- b. The number of the shares underlying the share options (or, for a company with class shares, the classes of the shares and the number of shares for each class), or the method for calculating that number;
- c. If properties other than monies are the subject of the contribution when share options are exercised, a statement to such effect and the description and value of such properties;
- d. Period during which relevant share options can be exercised;
- e. To the effect that share options shall be issued as remunerations of Directors etc. or in exchange for payment by remunerations of

Directors etc. and payment of monies or property contributed in kind shall not need to be paid when share options are exercised;

- f. To the effect that a person other than Directors etc. pertaining to the provisions of A (including persons who used to be Directors etc.) may not execute such share options;
- g. In case where it is determined that a person having certain qualifications may execute share options for subscription, a statement to that effect and the outline of the features of such certain qualifications (in case of such execution pursuant to decisions by compensation committee, such features);
- h. In case where conditions of execution of share options for subscription are determined, the outline of such conditions (in case of such execution pursuant to decisions by compensation committee, such conditions);
- i. In case where approval of the company is required regarding acquisition of share options for subscription due to transfer, a statement to that effect;
- j. In case where it is determined that a company may acquire share options on condition of certain grounds arising, outline of the features listed in Article 236, paragraph (1), item (vii) of Act; and
- k. In case where the conditions to allot share options for subscription are specified for Directors etc., the outline of such conditions (in case of such allotment pursuant to decisions by compensation committee, such conditions).

(B) In case of issuance of share options in exchange for payment by remunerations of Directors etc. (Article 361, paragraph (1), item (v)(b) and Article 409, paragraph (3), item (v)(b) of the Act, Article 98-4, paragraph (2) and Article 111-3, paragraph (2) of Regulations for Enforcement of the Companies Act).

- a. Matters (A)a to j; and
- b. In case of providing conditions to deliver monies to satisfy payment in exchange for share options for subscription to Directors etc. or providing conditions to allot share options for subscription to Directors etc., the outline of such conditions (in case of decisions by compensation committee, such conditions).

B. Features of Share Option

Matters listed in Article 236, paragraph (1), item (ii) of Act (the value of the property to be contributed when such share options are exercised or the method for calculating that value) shall not be required to be the features of share options in case where a listed company issues shares option for subscription pursuant to provisions of A (Article 236, paragraph (3), the first sentence of Act). In this case, in addition to the matters listed in Article 236, each item of paragraph (1) (excluding item (ii).), the

following matters must be the features of share options (paragraph (3), the second sentence of the same Article).

(a) To the effect that share options shall be issued as remunerations of Directors etc. or in exchange for payment by remunerations of Directors etc. and payment of monies or property contributed in kind shall not be required to be paid when share options are exercised; and

(b) To the effect that a person other than Directors etc. pertaining to the provisions of A (including the one who used to be a director etc.) may not execute such share options.

In addition, these matters must be registered (Article 911, paragraph (3), item (xii),(c)).

C. Subscription Requirements

Subscription requirements of share options for subscription are same as ordinary subscription requirements of share options for subscription (Article 238, paragraph (1) of Act); provided, however, that the matters mentioned above shall be applied to the features of share options for subscription (item (i) of the same paragraph).

D. Determination of Subscription Requirements

Subscription requirements shall be decided by resolution of a board of directors (Article 240, paragraph (1), Article 238, paragraph (2) of Act).

E. Allotment of Share Options for Subscription

In case where some or all of the shares underlying the share options for subscription are shares with restriction on transfer or in case where the share options for subscription are share options with restriction on transfer, allotment of share options for subscription or approval of contracts for subscription for the total number of those share options shall be made by resolution of a board of directors unless otherwise provided in the articles of incorporation (Article 243, paragraph (2), Article 244, paragraph (3) of Act).

F. Timing of Share Option Holder Status

An applicant who receives allotment of Share options for subscription or a subscriber of all of share options for subscription shall become a share option holder (Article 245, paragraph (1) of Act) on day of allotment (Article 238, Paragraph (1), item (iv) of Act).

(3) Procedures of Registration of Change Due to Issuance of Share Options for Subscription as Remunerations of Directors Etc.

A. Timing of Registration

In case where there is any change in the matters to be registered due to issuance of share options for subscription, the company must make a registration of the change within two

weeks from day of allotment at the location of its head office (Article 915, paragraph (1) of Act).

B. Information that Must Be Registered

The information that must be registered shall include provisions of (2) B (Article 911, paragraph (3), item (xii) of Act) and the date of issuance as well as matters to be registered for ordinary share options (excluding the matters in Article 236, paragraph (1), item (ii) of Act).

The record for registration shall be pursuant to Attached Record Example 1.

In addition, while only a listed company is able to issue shares for subscription that do not include the matters listed in Article 236, paragraph (1), item (ii) and (ix) of Act as the features of the share options, the confirmation of being a listed company is sufficient to confirm that such company is a listed one by confirming that such company is not a privately held company from the registration record.

C. Documents to Be Attached

The following documents must be attached to applications for registration;

- (a) The articles of incorporation pertaining to the provisions of (2)A or in case where there is no such provisions, minutes of shareholders meetings and Shareholders' List" or the document evidencing the decision by compensation committee (Article 46 of Commercial Registration Act, Article 61, paragraph (1) and (3) of Regulation on Commercial Registrations);
- (b) Minutes of a board of directors pertaining to the decision of Shares for Subscription (Article 46, paragraph (2) of Commercial Registration Act);
- (c) Documents evidencing the subscription for the share options for subscription or contracts to execute for subscription for the total number of those shares (Article 56, item (i) of Commercial Registration Act);
- (d) In case of issuance of share options in exchange for payment by remunerations of Directors etc. and if payment date is specified (provided that the date is before day of allotment), the document evidencing that there was a payment (including tendering property other than monies and setting off claims against the company) (Article 65, item (ii) of Commercial Registration Act); and
- (e) In case where the shares underlying the share options or the share options are accompanied with restriction on transfer, minutes of a board of directors pertaining to approval of contracts for decision of allotment or subscription for the total number of those share options.

Section 2. Partial Share Exchange

1. Outline

A stock company may conduct “partial share exchange” (Article 774-2 of Act).

"Partial share exchange" means the acceptance by a stock company of the shares of another stock company and the delivery of the shares of the stock company to the transferor as consideration for the accepted shares in order to make that other stock company a subsidiary (limited to a subsidiary in case where the ratio of the number of voting rights of the subsidiary held by the stock company on its own account to the total number of voting rights of the subsidiary exceeds 50 percent (Article 4-2, Article 3, paragraph (3), item (i) of Regulations for Enforcement of the Companies Act)) of the stock company (Article 2, item (xxxii)-2). A stock company that delivers shares refers to a Delivery Shares Parent Company and a stock company that issues shares that are assigned to a Delivery Shares Parent Company upon partial share exchange refers to a Delivery Shares Subsidiary (Article 774-3, paragraph (i), item (i) of Act).

In addition, the provisions pertaining to partial share exchange do not apply to liquidating stock companies (Article 509, paragraph (1), item (iii) of Act); therefore, a liquidating stock company may not become a delivery shares parent company nor a delivery shares subsidiary by partial share exchange.

2. Procedures for Partial Share Exchange

(1) Preparation of Partial Share Exchange Plan

In case of partial share exchange, a Shares Delivery Parent Company must prepare a partial share exchange plan (Article 774-2 of Act). In the plan, the following matters must be specified (Article 774-3 of Act).

A. Trade name and address of a Shares Delivery Subsidiary.

B. Lower limit of the number of shares of a Shares Delivery Subsidiary (in case where a Shares Delivery Subsidiary is a company with class shares, the classes of the shares and the number of shares for each class) assigned to a Shares Delivery Parent Company (in addition, the features of this provision must be the number of shares delivery subsidiaries becoming subsidiaries of a Shares Delivery Parent Company on Effective Date (Article 774-3, paragraph (2) of Act).

C. The number of shares of a Shares Delivery Parent Company that a Shares Delivery Parent Company deliver as consideration of such shares to a transferor of shares of a Shares Delivery Subsidiary upon partial share exchange (for a company with Class Shares, the classes of the shares and the number of shares for each class) or calculation method of such number, the matters pertaining to the amount of stated capital and amount of reserves of such Shares Delivery Parent Company and the matters pertaining to allotment of shares to such transferor.

(such matters must include the features that the transferor of shares delivers of a Shares Delivery Subsidiary delivers the shares of a Shares Delivery Parent Company according to the number of shares assigned to such Shares Delivery Parent Company (Article 774-3, paragraph (iv) of Act).

Additionally, either the shares that will be newly issued or treasury share may be allowable as the shares that a Shares Delivery Parent Company delivers as consideration.

- D. In case of delivery of monies etc. (excluding shares of a Shares Delivery Parent Company) as consideration of the shares by a Shares Delivery Parent Company to a transferor of shares of a Shares Delivery Subsidiary upon partial share exchange, the features and the matters pertaining to assignment of monies etc. to the transferor (additionally, such matters must include the features that delivery of monies etc. to transferor of shares of a Shares Delivery Subsidiary to a Shares Delivery Parent Company according to the number of shares assigned to a Shares Delivery Parent Company (Article 774-3, paragraph (iv) of Act).
- E. In case where share options of a Shares Delivery Subsidiary (excluding the ones attached to bonds with share options) or bonds with share options (hereinafter collectively referred to as “Share Options etc.”) are assigned to a Shares Delivery Parent Company along with the shares of a Shares Delivery Subsidiary, its features of the Share Options etc. and their number or calculation method.
- F. In case of E, if a Shares Delivery Parent Company delivers monies etc. as consideration for Share Options etc. to transferor of Share Options etc. of a Shares Delivery Subsidiary, its features and the matters of monies etc. to the transferor.
- G. The date for the application for transfer of shares of a Shares Delivery Subsidiary and transfer of Share Options.
- H. The date on which partial share exchange becomes effective (hereinafter referred to as “Effective Date”).

(2) Transfer of Shares of a Shares Delivery Subsidiary

A. Notification by a Shares Delivery Parent Company

A Shares Delivery Parent Company must notify the features etc. of Partial Share Exchange Plan to a person who intends to apply for transfer of shares of a Shares Delivery Subsidiary (Article 774-4, paragraph (1) of Act. Concerning case of no need for notification, see paragraph (iv) of the same Article, Article 179-3 of Regulations on the Enforcement of the Companies Act).

B. Application for Transfer of a Shares Delivery Subsidiary

A person who applies for transfer of shares of a Shares Delivery Subsidiary must deliver the document to a Shares Delivery Parent Company, which includes the number of the shares the person intends to transfer by the date specified in Partial Share Exchange Plan (see (1) G) (Article 774-4, paragraph (2) of Act). In addition, in lieu of delivery of such document, with a Shares Delivery Parent Company's consent, such person may provide the matters to be stated in such document by electronic or magnetic record (paragraph (3) of the same Article).

C. Allotment of Shares of a Shares Delivery Subsidiary Assigned to a Shares Delivery Parent Company

A Shares Delivery Parent Company must specify a person by whom shares are assigned among persons who make application of B mentioned above (hereinafter referred to as "Applicant".) and specify the number of shares of a Shares Delivery Subsidiary assigned to the Shares Delivery Parent Company allotted to the person (in case where a Shares Delivery Subsidiary is a company with class shares, the classes of the shares for subscription and the number of shares for each class) (Article 774-5, the first sentence of paragraph (1)). In addition, a Shares Delivery Parent Company must give notice to the applicant about the number of shares of a Shares Delivery Subsidiary assigned to the Shares Delivery Parent Company from the applicant (paragraph (2) of the same Article).

D. In Case of Contracts of Transfer of the Total Number of Shares

The provisions concerning procedures from A to C mentioned above shall not apply in case where a person who intends to transfer shares of a Shares Delivery Subsidiary executes the contracts to transfer the total number of shares of a Shares Delivery Subsidiary assigned to a Shares Delivery Parent Company (Article 774-6 of Act).

E. Transfer of Share Options of a Shares Delivery Subsidiary

Shares Delivery Parent Company may take over Share Options etc. of a Shares Delivery Subsidiary along with the shares of a Shares Delivery Subsidiary upon partial share exchange (Article 774-3, paragraph (1), item (vii) of Act). The procedures etc. from A to D mentioned above shall be taken for this transfer of share options etc. as well (Article 774-9 of Act).

(3) Procedures for a Shares Delivery Parent Company

A. Approval of Partial Exchange Plan

A Shares Delivery Parent Company must obtain approval of Partial Exchange Plan by special resolution of shareholders meeting by the day before Effective Date (Article 816-3, paragraph (1) of Act, Article 309, paragraph (2), item (xii) of Act).

However, in case where the ratio of the total sum of the consideration delivered in shares delivery to the amount of net assets does not exceed one fifth (hereinafter referred to as “Simplified Partial Share Exchange”), approval by shareholders meeting is not required (Article 816-4, paragraph (1), main text). In this case, if the book value of monies etc. that a Shares Delivery Parent Company delivers to the transferor of shares of a Shares Delivery Subsidiary (excluding the shares etc. of a Shares Delivery Parent Company.) exceeds the price of shares etc. of a Shares Delivery Subsidiary assigned to a Shares Delivery Parent Company; if a Shares Delivery Parent Company is not a public company; or if a shareholder who holds a certain number of shares of a Shares Delivery Parent Company gives notice of his/her dissent, the Shares Delivery Parent Company must obtain approval of Partial Share Exchange Plan by resolution of shareholders meeting by the day before Effective Date (paragraph (1) proviso, paragraph (2) of the same Article).

B. Procedures for Protection of Creditors

In case where the monies etc. (excluding shares of a Shares Delivery Parent Company.) delivered to transferor of shares or share options of a Shares Delivery Subsidiary are not the ones specified by Ordinance of Ministry of Justice as the ones equivalent to the shares of a Shares Delivery Parent Company, a Shares Delivery Parent Company must give public notice the matters listed as follows to official gazette and make the notice therefor separately to each known creditor (provided, however, that a Shares Delivery Parent Company gives such public notice by means of publishing in daily newspapers that publishes the matters related to current events or by means of electronic public notice pursuant to provisions of articles of incorporation in addition to official gazette, separate notification is not required (Article 816-8, paragraph (3) of Act).). If a creditor makes an objection within the period of (d) mentioned below, except for the cases where the partial share exchange carry no risk of harming such creditor, the Shares Delivery Parent Company must make payment to such creditor, or provide equivalent security, or entrust equivalent property to a trust company or other financial institutions (which refer to financial institutions that have received authorization of Article 1, paragraph (1) of Act on Engagement in Trust Business Activities by Financial Institutions (Act No.43 of 1943) for the purpose of providing equivalent security or assuring the payment to such creditors)(Article 816-8, paragraph (2) and (5) of Act).

- (a) To the effect that partial share exchange is executed;
- (b) Trade name and address of a Shares Delivery Subsidiary;
- (c) The matters specified by Ordinance for Ministry of Justice as the ones concerning financial documents of a Shares Delivery Parent Company and

a Shares Delivery Subsidiary; and
(d) To the effect that creditors may make objections within a certain period (which may not be less than a month.).

C. Effects of Partial Share Exchange

While partial share exchange becomes effective on Effective Date specified in partial share exchange plan (Article 774-11, paragraph (1) to (4) of Act), a Shares Delivery Parent Company may change the Effective Date by decisions of a director (for a company with a board of directors, resolution of a board of directors) (Article 816-9, paragraph (1), Article 348, paragraph (1), Article 362, paragraph (2), item (i) of Act). In this case, a Shares Delivery Parent Company must make public notice of the Effective Date after the change (the date must be the one within three months from the original Effective Date.) by the date before the Effective Date of before the change (in case where the date after the change is the date before the Effective Date before the change, the Effective Date after the change) (Article 816-9, paragraph (2) and (3) of Act).

D. A Claim Seeking Invalidation of Partial Share Exchange

Invalidation of partial share exchange of a stock company may be claimed limited to the period within six months from the Effective Date of Partial Share Exchange (Article 828, paragraph (1), item (xiii) of Act).

3. Procedures for Registration of Partial Share Exchange

(1) Period for Registration

In case of Partial Share Exchange, a Shares Delivery Parent Company must make a registration of a change within two weeks from Effective Date of Shares Delivery at the location of its head offices (Article 915, paragraph (1) of Act).

(2) Information that Must Be Registered

The information that must be registered for a Shares Delivery Parent Company shall be the statement to the effect that the following matters are changed and the date of the change. No change occurs in matters to be registered for a Shares Delivery Subsidiary.

- A. The total number of outstanding shares and their kinds and the number of each kind;
- B. Amount of stated capital ;
- C. In case of issuance of share options to transferor of shares of a Shares Delivery Subsidiary, registered information relating to share options

In addition, in case of delivery of treasury share of a Shares Delivery Parent Company as consideration of shares of a Shares Delivery Subsidiary, no change occurs in matters to be registered.

(3) Documents to Be Attached

The following documents must be attached to applications for registration of change due to partial share exchange of a Shares Delivery Parent Company :

- A. Partial share exchange plan (Article 90-2, item (i)) of Commercial Registration Act) ;

In case there is any change in the Effective Date, the document evidencing the consent by a majority of all directors or minutes of a board meeting of directors must be also attached (Article 46, paragraph (1) and (2) of Commercial Registration Act).

- B. The document evidencing application for transfer or execution of the contracts to transfer the total number of shares of a Shares Delivery Subsidiary assigned to a Shares Delivery Parent Company upon partial share exchange (Article 90-2, item (ii) of Commercial Registration Act);

- C. Minutes of shareholders meetings pertaining to approval for partial share exchange plan (Article 46, paragraph (2) of Commercial Registration Act) and Shareholders' List (Article 61, paragraph (1) and (3) of Regulations on Commercial Registrations) or in case of Simplified Partial Share Exchange, the minutes of a board meeting of directors or the document evidencing the consent by a majority of all directors concerning approval for partial share exchange plan (Article 46, paragraph (1) and (2) of Commercial Registration Act);

- D. In case of Simplified Partial Share Exchange, the document evidencing that the case fulfills the requirements as Simplified Partial Share Exchange (in case where there are any shareholders that gave notice to the effect that they dissented from Simplified Partial Share Exchange, the document evidencing that the number of shares held by such shareholders does not reach a specific number.)(Article 90-2, item (iii) of Commercial Registration Act);

- E. In case where procedures for protection of creditors are required, the document evidencing that public notice and separate notification (in case where public notice was given by means of a daily newspaper that lists the matters related to current events or by means of electronic public notice in addition to the means of official gazette, public notice by these means) has been given, and, in case where any creditor makes an objection, the document evidencing the fact that a payment has been made or equivalent security has been provided to the creditor , or equivalent property has been entrusted for the purpose of having the creditor receive the payment, or the fact that the partial share exchange carries no risk of harming the creditor (item (iv) of the same Article); and

- F. A document evidencing that the amount of stated capital has been recorded in accordance with the provisions of Act and Regulations on Corporate Accounting (item (v) of the same Article).

(4) Registration and License Tax

Registration and License Tax of registration of change due to partial share exchange shall be seven one-thousandth of the amount of such increased stated capital (in the case where the amount of tax calculated pursuant to this is less than 30,000JPY, 30,000JPY per application).

Registration and License Tax shall not be required to be paid for registration of change in the total number of outstanding shares.

Section 3. Review of Information to be registered Relating to Share Options

1. Outline

The amount to be paid or its calculation must be specified as subscription requirements (Article 238, paragraph (1), item (iii) of Act) whenever a stock company intends to solicit subscribers for an issuance of Share Options except for the case where there is no requirement for monies to be paid in exchange for the Share Options for Subscription. In case where the amount of payment of Share Options for Subscription or the amount to be paid is not determined by the time of application for registration, such calculation method must be registered (Article 911, paragraph (3), item (xii)F of Act).

The record for registration shall be pursuant to Attached Record Example 2.

2. Documents to be attached

There has been no change since before amendment (Article 46 and 65 of Commercial Registration Act, Article 61, paragraph (1) of Regulations on Commercial Registrations). In addition, in case of registration of calculation method, reports etc. shall not be required to be attached thereto as the amount to be paid has not been confirmed.

3. Transitional measures

In Amendment Act, with regard to the matters to be registered of registration pertaining to issuance of Share Options whose registration has been applied before enforcement of Amendment Act, the provisions then in force shall remain applicable, notwithstanding the provisions of Article 911, paragraph (3), item (xii) after amendment (Article 9 of Supplementary Provisions of Amendment Act).

3. Deletion of Disqualification of Officers etc.

1. Outline

Although in the Former Act an adult ward and a person under curatorship

(hereinafter referred to as “Adult Wards etc.”) may not act as directors, company auditor, executive officer, liquidator, the Directors at Incorporation and Company Auditor at Incorporation (hereinafter referred to as “Directors etc.”) (Article 39, paragraph (iv) of Act, Article 331, paragraph (1), item (ii), Article 335, paragraph (1), Article 402, paragraph (iv), Article 478, the first sentence of paragraph (viii) of the Former Act), it was determined that disqualification clauses were deleted under the Former Act, and Adult Wards etc. may become Directors etc. under Amendment Act.

2. The state of intention pertaining to assuming office in case where Adult Wards etc. assume office as Directors etc. and resignation in case where Adult Wards etc. resign from Directors etc.

(1) In case where Adult Wards etc. assume office as Directors etc.

A. In case where adult wards assume office as Directors etc.

In order that adult wards assume office as Directors etc., their adult guardians must consent to assume office in lieu of the adult wards with consent of the adult wards (in case where there is a supervisor of the guardian, consents of the adult wards and the supervisor) (Article 39, paragraph (v), Article 331-2, paragraph (1), Article 335, paragraph (1), Article 402, paragraph (4) and Article 478, paragraph (8) of Act).

B. In case where persons under curatorship assume office as directors etc.

(A) In case where a person under curatorship consents to assume office

In order that persons under curatorship assume office, the consent of their curators must be obtained (Article 39, paragraph (5), Article 331-2, paragraph (2), Article 335, paragraph (1), Article 402, paragraph (4) and Article 478, paragraph (8) of Act). Accordingly, persons under curatorship shall consent to assume office with consent of their curators.

(B) In case where curators consent to assume office in lieu of persons under curatorship

In case where the family court made an order that grants power of representation to the curator for a person under curatorship (Article 876-4, paragraph (1) of Civil Code (Act No.89 of 1896) with regard to the consent to assume office as directors etc., in order that a person under curatorship assume office as directors etc., their curators must consent to assume office with consent of persons under curatorship in lieu of the persons under curatorship (Article 39, paragraph (5), Article 331-2, paragraph (3), Article 335, paragraph (1), Article 402, paragraph (4) and Article 478, paragraph (8) of Act).

(2) In case where Adult Wards etc. resign from Directors etc.

A. In case where Adult Wards resign from Directors etc.

In order that adult wards resign from Directors etc., both the means by making a manifestation of intention by Adult Wards themselves or the ones by making a manifestation of intention by adult guardians in lieu of the adult wards (Article 859, paragraph (1) of Civil Code) shall be used.

B. In case where persons under curatorship resign from Directors etc.

In order that persons under curatorship resign from Directors etc., they shall make a manifestation of intension to resign by themselves.

3. Procedures for Registration

(1) In case where Adult Wards assume office as Directors etc.

The following documents must be attached to applications for registration of change in Directors etc. in case where Adult Wards etc. assume office as Directors etc.

A. In case where Adult Wards assume office (Article 331-2, paragraph (1) etc. of Act)

(a) Written consent by adult guardians to assume office (Article 54, paragraph (1) of Commercial Registration Act);

(b) Certificate of Registered Matters provided in Article 10 of Act on Guardianship Registration, etc. concerning Adult Wards (Act No. 152 of 1999)(hereinafter referred to as “Certificate of Registered Matters for Adult Ward”.) (Article 54, paragraph (1) of the Commercial Registration Act);

Additionally, Certificate of Registered Matters for Adult Guardian shall also be used as a certificate that has been prepared by a municipal mayor and other public official in the course of his/her duties stating such Adult Ward’s name and address identical to the ones that are stated in Written Consent of Adult Wards to assume office pertaining to such Adult Ward (hereinafter referred to as “Identity Verification Certificate”.) (Article 61, paragraph (7) of Regulations on Commercial Registrations).

(c) Written consent of an Adult Ward (in case where a supervisor of a guardian has been selected, an adult ward and supervisor of a guardian) (Article 54, paragraph (1) of Commercial Registration Act); and

(d) A certificate prepared by a mayor for the seal affixed to written consent by an adult guardian (in case of assuming office as a director by an adult ward in a company without a board of directors; in case of assuming office as a representative director by an adult ward in a company with a board of directors) (Article 61, paragraph (4) and (5) of Regulations on Commercial Registrations).

B. In case where a person under curatorship assumes office (Article 331-2, paragraph (2) etc. of Act)

(a) In case where a person under curatorship consents to assume office:

a. Written consent of person under curatorship to assume office (Article 54, paragraph (1) of Commercial Registration Act);

b. Written consent of curator (Article 54, paragraph (1) of Commercial Registration Act);

- c. A certificate prepared by a mayor for the seal affixed to written consent by a person under curatorship (in case of assuming office as a director by a person under curatorship in a company without a board of directors; in case of assuming office as a representative director by a person under curatorship in a company with a board of directors) (Article 61, paragraph (4) and (5) of Regulations on Commercial Registrations); and
 - d. Identity Verification Certificate of a person under curatorship (including a certified copy of such a certificate with the written statement that it is identical to the original one by the person under curatorship.) (Article 61, paragraph (7) of Regulations on Commercial Registrations).
- (b) In case where a curator consents to assume office in lieu of a person under curatorship based on an order that grants power of representation of Article 876-4, paragraph (1) of Civil Code (Article 331-2, paragraph (3) of Act etc.)
- a. Written consent of a curator to assume office (Article 54, paragraph (1) of the Commercial Registration Act);
 - b. Certificate of Registered Matters provided in Article 10 of Act on Guardianship Registration, etc. concerning Adult Wards (additionally, such certificate shall also be used as Identity Verification Certificate of e (Article 61, paragraph (7) of Regulations on Commercial Registrations) or a document for order pertaining to an order that grants power of representation (Article 54, paragraph (1) of Commercial Registration Act);
 - c. Written consent of a person under curatorship (Article 54, paragraph (1) of Commercial Registration Act);
 - d. A certificate prepared by a mayor for the seal affixed to written consent by a curator (in case of assuming office as a director by a person under curatorship in a company without a board of directors; in case of assuming office as a representative director by a person under curatorship in a company with a board of directors) (Article 61, paragraph (4) and (5) of Regulations on Commercial Registrations); and
 - e. Identity Verification Certificate of a person under curatorship (including a certified copy of such a certificate with the written statement that it is identical to the original one by the curator.) (Article 61, paragraph (7) of Regulations on Commercial Registrations)
- C. Special Provisions on Document to be Attached in Case of Online Application

The handling of a case to send information in lieu of a document evidencing consent to assume office is as follows; in case of application for registration by means pursuant to provisions of Article 101, paragraph (1), item (i) of Regulations on Commercial Registrations, special

provisions of Article 103 of Regulations on Commercial Registrations shall be applied when sending any digital certificate of paragraph (3), item (ii) or (iii) of Article 102 of Regulations on Commercial Registrations, along with sending equivalent information to written consent of A(c) mentioned above (in case of A mentioned above), written consent of B(a)a mentioned above (in case of B(a) mentioned above), or written consent of B(b)c mentioned above (in case of B(b) mentioned above) as information on document to be attached of Article 102, paragraph (2) of Regulations on Commercial Registrations.

(2) In case where Adult Wards etc. resign from Directors etc.

The following documents must be attached to applications for registration of change in Directors etc. in case where Adult Wards etc. resign from Directors etc.

A. In case where a guardian makes a manifestation of intension to resign in lieu of an adult ward

(a) A document evidencing resignation of the adult ward (hereinafter referred to as “Notice of Resignation”.) (Article 54, paragraph (4) of Commercial Registration Act);

(b) Certificate of Adult Ward Registered Information (Article 54, paragraph (4) of Commercial Registration Act); and

(c) A certificate prepared by a mayor for the seal affixed to Notice of Resignation by an adult guardian (in case of a company that has submitted a seal impression to a registry office, only when an adult ward who resigns submits such seal impression; in case of a company that has not submitted a seal impression to a registry office, only when the adult ward who resigns is a company representative.) (Article 61, paragraph (8) of Regulations on Commercial Registrations)

B. In case where an adult ward makes a manifestation of intension to resign

(a) Notice of Resignation of an adult ward (Article 54, paragraph (4) of Commercial Registration Act); and

(b) A certificate prepared by a mayor for the seal affixed to Notice of Resignation (in case of a company that has submitted a seal impression to a registry office, only when an adult ward who resigns submits such seal impression; in case of a company that has not submitted a seal impression to a registry office, only when the adult ward who resigns is a company representative; provided, however, that in case where such seal impression and the seal impression which such adult ward has submitted are identical, a certificate prepared by a mayor shall not be required to be attached.) (Article 61, paragraph (8) of Regulations on Commercial

Registrations).

C. In case where a person under curatorship makes a manifestation of intension to resign

(a) Notice of Resignation of a person under curatorship (Article 54, paragraph (4) of Commercial Registration Act); and

(b) A certificate prepared by a mayor for the seal affixed to Notice of Resignation by a person under curatorship (in case of a company that has submitted a seal impression to a registry office, only when a person under curatorship who resigns submit such seal impression; in case of a company that has not submitted a seal impression to a registry office, only when the person under curatorship who resigns is a company representative; provided, however, that in case where such seal impression and the seal impression which such person under curatorship has submitted are identical, a certificate prepared by a mayor shall not be required to be attached.) (Article 61, paragraph (8) of Regulations on Commercial Registrations).

4. In Case Where Incumbent Directors Etc. Receives a Decision for Commencement of Adult Ward

In case where a person who is an incumbent director etc. receives a decision for commencement of guardianship, as such case falls under grounds for termination of mandate, such director etc. shall retire due to ruling of commencement of guardianship (Article 330, Article 402, paragraph (3) and Article 478, paragraph (8) of Act, Article 653, item (iii) of Civil Code).

In addition, even if a person who is an incumbent director etc. receives a decision for commencement of curatorship, as such case does not fall under grounds for termination of mandate, such director etc. shall not forfeit his/her positions as a matter of course.

5. Obligation to Appoint Outside Directors

1. A Stock Company Which is Obligated to Appoint Outside Directors

It is determined that a Company with a Board of Company Auditors (limited to an open company and a large company.), and is obliged to submit annual security report to the Prime Minister with regard to shares issued thereby pursuant to the provisions of Article 24, paragraph (1) of the Financial Instruments and Exchange Act, must appoint outside directors (Article 327-2 of Act).

2. Transitional Measures

The provisions of Article 32-2 of Act shall not apply to stock companies that actually fall under 1 mentioned above upon enforcement of Amendment

Act until the conclusion of annual shareholders meeting relating to the first fiscal year that ends after enforcement of Amendment Act.

Accordingly, it is sufficient for stock companies that actually fall under 1 mentioned above only to select outside directors in their annual shareholders meeting relating to the first fiscal year that ends after enforcement of Amendment Act (Article 5 of Supplementary Provisions of Amendment Act).

3. Procedures for Registration concerning Assuming Office of External Directors

With regard to procedures for registration pertaining to assuming office of outside directors, the provisions then in force shall remain applicable, and only assuming office of directors shall be registered but the statement that such directors are outside ones shall not be registered.

6. Handling of Registration Procedures for Corporation

1. Mutual Companies

It was determined that mutual companies may deliver shares for Entity Conversion (which refers to that, in order to have another stock company as a subsidiary with entity conversion of mutual companies to stock companies, shares of such subsidiary company shall be assigned to such mutual company and deliver shares of the stock company after entity conversion as the consideration of such shares to transferor of such shares). When the procedures for partial share exchange on entity conversion are carried out in addition to the handling stated in 2, the ones for entity conversion shall be simultaneously carried out (Article 96-9-2 to Article 19-14 of Insurance Business Act).

2. General Incorporated Associations and General Incorporated Foundations

The same shall apply with handling stated in 4.