Interim Proposal on the Review of the Companies Act
(Regarding Shares, Shareholders Meetings, etc.)
[Provisional Translation]

Note*:* *This English translation is a provisional translation of the original Japanese text and is provided for reference purposes only. The Japanese original is the sole official text.*

Part 1: Review of Rules on the Issuance of Shares

Section 1: Review of the Scope of Eligibility for the Issuance of Shares Without Consideration

1. Specific Framework

The specific framework for the issuance of shares without consideration to employees, etc. under the Companies Act (Act No. 86 of 2005) shall be based on either [Proposal A] or [Proposal B] below, or both. However, in reaching a conclusion, it is necessary to clarify whether shares issued without consideration to employees, etc. constitute "wage" under the Labor Standards Act (Act No. 49 of 1947).

[Proposal A] The issuance of shares without consideration to employees, etc. shall be permitted solely by a resolution of the board of directors meeting without requiring a resolution at a shareholders meeting, and the following rules (1) through (5) shall be established, subject to regulations on favorable issuance.

(1) A listed company (meaning a stock company that has issued shares that are set forth on a financial instruments exchange provided for in Article 2, paragraph (16) of the Financial Instruments and Exchange Act (Act No. 25 of 1948); the same applies hereinafter) is not required to specify the matters set forth in Article 199, paragraph (1), items (ii) and (iv) of the Companies Act, in cases where said listed company has, by a resolution of the board of directors meeting, established the matters prescribed by Ministry of Justice Order (Note 1) as a policy concerning the allotment of shares for subscription to employees of said listed company or to the subsidiaries' directors, accounting advisors, company auditors, executive officers, or employees (hereinafter collectively referred to as "employees, etc.") and where it solicits persons to subscribe for shares it issues or treasury shares it disposes of in accordance with such policy. In this case, the listed company must specify the following matters regarding the shares for subscription:

  (a) A statement that the issuance of shares or disposal of treasury shares relating to the subscription is conducted in accordance with such policy and that the payment of the monies or contribution of property provided for in Article 199, paragraph (1), item (iii) of the Companies Act (hereinafter referred to as "payment of money, etc.") in exchange for the shares for subscription is not required; and

  (b) The day of allotment of the shares for subscription.

(2) In cases where the matters prescribed in (1) are specified and the absence of a requirement for the payment of money, etc., in exchange for the shares for subscription is particularly favorable to the subscribers of the shares for subscription, the provisions of Article 201

of the Companies Act do not apply.

(3) If the absence of a requirement for the payment of money, etc., in exchange for the shares for subscription is particularly favorable to the subscribers of the shares for subscription, the directors must explain the reasons for the need to solicit these persons under such conditions at the shareholders meeting under Article 199, paragraph (2) of the Companies Act.

(4) For the purpose of application of the provisions of Article 199, paragraph (2) of the Companies Act to cases where the matters prescribed in (1) are specified, the phrase "each item of the preceding paragraph" in that paragraph is deemed to be replaced with "each item of the preceding paragraph (excluding items (ii) and (iv)) and (1)(a) and (b)." In this case, the provisions of Articles 200 and 202 of the Companies Act do not apply.

(5) The amount to be recorded as capital or reserves from issuing shares pursuant to (1) is prescribed by Ministry of Justice Order.

(Note 1) It is envisaged that the matters specified by Ministry of Justice Order shall be as follows:

(i) The scope of persons who may subscribe for the shares for subscription (limited to employees, etc.) in cases where the listed company solicits subscribers for shares it issues or treasury shares it disposes of, having stipulated that payment of money, etc., in exchange for the shares for subscription is not required;

(ii) In the case prescribed in (i), the maximum number of shares for subscription to be subscribed for by employees, etc.;

(iii) If employees, etc., are required to agree not to transfer the shares for subscription to any third party until certain grounds arise, a statement to that effect and an outline of the grounds;

(iv) If employees, etc., are required to agree to transfer the shares for subscription to the listed company without consideration on condition of certain grounds arising, a statement to that effect and an outline of the grounds;

(v) In addition to the matters prescribed in (iii) and (iv), if any condition is to be prescribed for the allotment of the shares for subscription to employees, etc., an outline of the condition; and

(vi) A statement that the listed company complies with the Labor Standards Act.

(Note 2) The business report must include the following: (i) if a policy prescribed in (1) has been established, an outline of the content of such policy; and (ii) if the listed company has issued shares to its employees or to officers and employees of its subsidiaries during the relevant fiscal year, the number of shares issued to its employees or to officers and employees of its subsidiaries and the number of persons who received such shares.

[Proposal B] The issuance of shares without consideration to employees, etc., shall be permitted by a resolution at a shareholders meeting. Such issuance shall not be subject to regulations on favorable issuance and the following rules (1) through (4) shall be established.

(1) In cases where a listed company has established provisions pursuant to (2) and solicits persons to subscribe for shares it issues or treasury shares it disposes of in accordance with such provisions, it is not required to specify the matters listed in Article 199, paragraph (1), items (ii) and (iv) of the Companies Act. In this case, the listed company must specify the following matters regarding the shares for subscription:
   (a) A statement that the issuance of shares or disposal of treasury shares relating to the subscription is conducted in accordance with such provisions and that the payment of money, etc., in exchange for the shares for subscription is not required; and
   (b) The day of allotment of the shares for subscription.

(2) A listed company may specify the following matters by an ordinary resolution of the shareholders meeting:
   (a) The scope of persons (limited to employees, etc.) who may subscribe for the shares for subscription in cases where the listed company solicits subscribers for shares it issues or treasury shares it disposes of, having stipulated that payment of money, etc., in exchange for the shares for subscription is not required; and
   (b) In the case prescribed in (a), the maximum number of shares for subscription to be subscribed for by employees, etc., and other matters specified by Ministry of Justice Order (Note 1).

(3) For the purpose of application of the provisions of Article 199, paragraph (2) of the Companies Act to cases where the matters prescribed in (1) are specified, the phrase "each item of the preceding paragraph" in that paragraph is deemed to be replaced with "each item of the preceding paragraph (excluding items (ii) and (iv)) and (1)(a) and (b)." In this case, the provisions of Articles 200 and 202 of the Companies Act do not apply.

(4) The amount to be recorded as capital or reserves from issuing shares pursuant to (1) is prescribed by Ministry of Justice Order.

(Note 1) It is envisaged that the matters prescribed by Ministry of Justice Order shall be the same as those in [Proposal A] Note 1 (iii) through (vi).

(Note 2) The business report must include the following: (i) if a listed company has established provisions pursuant to (2), an outline of the content of such provisions; and (ii) if the listed company has issued shares to its employees or to officers and employees of its subsidiaries during the relevant fiscal year, the number of shares issued to its employees or to officers and employees of its subsidiaries and the number of persons

who received such shares.

(Endnote 1) In light of the specific framework of the system in place for listed companies, the application to unlisted companies shall be subject to further consideration.

(Endnote 2) It is envisaged that company auditors and accounting advisors of listed companies will also be included within the scope of eligible recipients of shares issued without consideration.

2. Other Matters Under Consideration

(1) Structure of Contributions in Kind

Regarding the so-called structure of contributions in kind, based on the specific framework described in 1 above, one of the following proposals shall be adopted.

[Proposal A] Regarding the so-called structure of contributions in kind, no revision shall be made to the framework under the current law (i.e., the specific framework for the issuance of shares without consideration to employees, etc. shall not apply).

[Proposal B] The specific framework for the issuance of shares without consideration to employees, etc. shall also apply to the so-called structure of contributions in kind.

(2) Issuance of Share Options without Payment, etc. upon Exercise

In cases where share options are issued to employees, etc., the same rules as those in (1) above shall apply. Payment of monies or delivery of property provided in Article 236, paragraph (1), item (iii) of the Companies Act upon exercise of these share options shall not be required.

Section 2: Review of Partial Share Exchange

1. Cases Eligible for Partial Share Exchange

(1) Regarding the inclusion of cases where additional shares of a subsidiary are acquired as partial share exchange, one of the following proposals shall be adopted.

[Proposal A] Any additional acquisition of subsidiary shares shall be included within the scope of a partial share exchange.

[Proposal B] The following cases (a) or (b), or both, shall be included within the scope of a partial share exchange:

(a) Cases where additional shares of the subsidiary company resulting from a partial share exchange are acquired after the effective date of the partial share exchange, provided that the partial share exchange plan stipulates such acquisition; and

(b) Cases where additional shares of a subsidiary are acquired up to a specified ratio (it is envisaged that such ratio will be two-thirds, nine-tenths, or all of the total voting rights of shareholders).

(2) Cases where a stock company is to become a subsidiary in the cases set forth in Article 3, paragraph (3), items (ii) and (iii) of the Regulations for Enforcement of the Companies Act (Ministry of Justice Order No. 12 of 2006) shall be included within the scope of a partial share exchange.

2. Companies Eligible for Partial Share Exchange

(1) Cases where a membership company is to become a subsidiary shall be included within the scope of a partial share exchange.

(2) Cases where a foreign company (meaning any corporation incorporated under the law of a foreign country or relevant other foreign organization that is of the same kind as the company or is similar to a company) is to become a subsidiary shall be included within the scope of a partial share exchange.

3. Procedures for Partial Share Exchange

The creditor protection procedures at the parent company resulting from a partial share exchange shall be abolished.

(Note 1) Creditor protection procedures shall also be abolished for the wholly owning parent company resulting from the share exchange (limited to cases other than those where the monies, etc. to be delivered to shareholders of the wholly owned subsidiary company resulting from a share exchange are limited to shares of the wholly owning parent stock company resulting from the share exchange or those prescribed by Ministry of Justice Order as being equivalent thereto (excluding the case prescribed in Article 768, paragraph (1), item (iv), (c) of the Companies Act)).

(Note 2) There is a view that the right of dissenting shareholders of a listed parent company resulting from a partial share exchange to demand the purchase of their shares should not be granted. However, to adopt this view, it is necessary to consider an explanation justifying it.

Section 3: Review of Contributions in Kind

1. Review of Investigations by Inspectors

The following rules shall be established regarding the omission of investigations by inspectors pursuant to a special resolution of a shareholders meeting.

When a special resolution of a shareholders meeting determines the value of property contributed in kind as stipulated in Article 199, paragraph (1), item (iii) of the Companies Act, the provisions of Article 207, paragraphs (1) through (8) of the Companies Act do not apply to such value. In this case, the directors must explain, at the shareholders meeting

referred to in Article 199, paragraph (2) of the Companies Act, the method of valuation of the property contributed in kind, the valuation amount, and other reasons that the value determined under paragraph (1), item (iii) of the same Article is appropriate.

2. Revision of Liability in Case of Shortfall in Value of Property Contributed

(1) Liability of Contributors in Case of Shortfall in Value of Property Contributed

(a) Conditions for Liability

Regarding the conditions for the liability of the subscriber of the shares for subscription (limited to those who contribute property in kind; hereinafter referred to as "contributors in kind") in case of shortfall in value of property contributed, one of the following proposals shall apply.

[Proposal A] A contributor in kind shall bear the liability set forth in (b) below only if the value of the property contributed in kind at the time of the determination of the subscription requirements is significantly lower than the value determined for such property under Article 199, paragraph (1), item (iii) of the Companies Act, and if the contributor in kind subscribed for the shares for subscription in collusion with directors (or directors or executive officers for a stock company with nominating committee, etc.) [or if the contributor in kind gave a false explanation to the stock company regarding important matters for the valuation of the property contributed in kind, either intentionally or with gross negligence].

[Proposal B] A contributor in kind shall bear the liability set forth in (b) below if the value of the property contributed in kind at the time of the determination of the subscription requirements is significantly lower than the value determined for such property under Article 199, paragraph (1), item (iii) of the Companies Act.

(b) Scope of Liability

The scope of liability of contributors in case of shortfall in value of property contributed shall be determined in accordance with one of the following proposals.

[Proposal A] In cases where the requirements set forth in (a) above are satisfied, the contributor in kind shall pay the stock company the shortfall at the time of determination (meaning the amount of shortfall in cases where the value of the property contributed in kind at the time of the determination of the subscription requirements is significantly lower than the value determined for such property under Article 199, paragraph (1), item (iii) of the Companies Act; (Note) the same applies hereinafter.)

[Proposal B] In cases where the requirements set forth in (a) above are satisfied, the stock company may request that the contributor in kind transfer to the stock

company, without consideration, the number of shares obtained by dividing the shortfall at the time of determination by the amount to be paid in (if the result includes a fraction less than one, such fraction shall be rounded down).

(Note) Regarding the definition of the "shortfall at the time of determination," there is an alternative approach to use the lower of: (i) the amount of shortfall in cases where the value of the property contributed in kind at the time of the determination of the subscription requirements is significantly lower than the value determined for such property under Article 199, paragraph (1), item (iii) of the Companies Act; or (ii) the amount of shortfall in cases where the value of the property contributed in kind at the time the contributor in kind becomes a shareholder of the shares for subscription pursuant to the provisions of Article 209, paragraph (1) of the Companies Act is lower than the value determined for such property under Article 199, paragraph (1), item (iii) of the Companies Act.

(2) Liability of Directors, etc. and Certifiers in Case of Shortfall in Value of Property Contributed

Regarding the liability of directors, etc. (meaning directors, etc. prescribed in Article 213, paragraph (1) of the Companies Act; the same applies hereinafter in 2) and certifiers (meaning persons who have certified that the value of the property contributed in kind prescribed in Article 199, paragraph (1), item (iii) of the Companies Act, is reasonable; the same applies hereinafter) in case of shortfall in value of property contributed, one of the following proposals shall apply.

[Proposal A] If the value of the property contributed in kind at the time of the determination of the subscription requirements is significantly lower than the value determined for such property under Article 199, paragraph (1), item (iii) of the Companies Act, the directors, etc. and certifiers shall be liable to the stock company for the shortfall at the time of determination based on negligence for which the burden of proof is not shifted.

[Proposal B] If the value of the property contributed in kind at the time of the determination of the subscription requirements is significantly lower than the value determined for such property under Article 199, paragraph (1), item (iii) of the Companies Act, the directors, etc. and certifiers shall be liable to the stock company for the shortfall at the time of determination based on negligence for which the burden of proof is shifted.

(Note) Regarding the definition of the shortfall at the time of determination, if the approach described in the note to (1) above is adopted with respect to the contributor in kind, it is envisaged that the same approach will be adopted for the directors, etc. and certifiers.

(Endnote) The nature of the liability in case of shortfall in value of property contributed in cases where a special resolution of a shareholders meeting prescribed in 1 has been

adopted shall be subject to further consideration.

3. Other Matters Under Consideration

(1) Rules Regarding Contributions in Kind Upon Exercise of Share Options

The same rules as those in 1 and 2 above shall apply to cases where property other than money is the object of contribution to be made upon the exercise of share options.

(2) Rules Regarding Contributions in Kind at Incorporation

The same rules as those in 1 and 2 above shall not apply to cases where property other than money is contributed upon incorporation.

Part 2: Review of Rules on Shareholders Meeting

Section 1: Virtual Shareholders Meetings and Virtual Bondholders Meetings

1. Requirements for Conducting Virtual-Only Shareholders Meetings

In order to hold a shareholders meeting without a designated place (hereinafter referred to as a "virtual-only shareholders meeting"), the following rules (1) through (3) shall be established as the requirements for conducting such a meeting (hereinafter referred to as the "requirements for conducting" in 1 through 6 below).

(1) A stock company may stipulate in its articles of incorporation that it may hold a shareholders meeting without a designated place. (Note 1) (Note 2)

(2) A stock company (or, in cases where a shareholder convenes a shareholders meeting pursuant to the provisions of Article 297, paragraph (4) of the Companies Act, such shareholder; the same applies in items 1 through 3 below) must take one of the following measures as a measure to safeguard the interests of shareholders who face obstacles to using the Internet as a means of communication for the transmission and reception of information during the proceedings of the shareholders meeting.

  (a) Lending the equipment necessary to use the means of communication described in 2(1)(b) below, at the request of a shareholder who has difficulty using said method.

  (b) Designating the telephone as the means of communication described in 2(1)(a) below.

  (c) Specifying the matters listed in Article 298, paragraph (1), item (iii) of the Companies Act.

  (d) Obtaining the consent of all shareholders regarding the decision not to take the measures listed in (a) through (c).

(3) A stock company must use a means of communication that allows for the immediate and mutual transmission and reception of information regarding the proceedings of the shareholders meeting, to the extent reasonably necessary.

(Note 1) While there is a view that provisions in the articles of incorporation should not be treated as the requirements for conducting, if this view is adopted, it is necessary to simultaneously consider alternative measures to reflect the will of shareholders, such as granting a single shareholder or multiple shareholders holding a certain percentage of voting rights the right to request the convening of a shareholders meeting with a designated place in 5 below.

(Note 2) It is envisaged that a stock company that, as of the date of enforcement of the amended Act based on this draft, has a provision in its articles of incorporation allowing a shareholders meeting to be held without a designated place pursuant to Article 66,

paragraph (1) of the Act on Strengthening Industrial Competitiveness (Act No. 98 of 2013), shall be deemed to have adopted a resolution to amend its articles of incorporation to include the provision set forth in (1) above, with the effective date being the date of enforcement.

2. Procedures for Conducting Virtual-Only Shareholders Meetings

The following rules (1) through (4) shall be established regarding the procedures, etc., for conducting a virtual-only shareholders meeting.

(1) The following items shall be added to the matters to be decided for convening and the matters to be included in the notice of the meeting (with respect to item (e), this shall be limited to the matters to be included in the notice of the meeting).
   (a) In lieu of "the place of the shareholders meeting", a statement to the effect that no place is designated for the shareholders meeting.
   (b) The means of communication to be used for the transmission and reception of information during the proceedings of the shareholders meeting.
   (c) The treatment of the validity of the exercise of voting rights when a shareholder exercises such rights pursuant to the provisions of Article 311, paragraph (1) or Article 312, paragraph (1) of the Companies Act and uses the means of communication for sending and receiving information during the proceedings of the shareholders meeting.
   (d) Details of the measures referred to in 1(2).
   (e) Matters necessary for shareholders to send and receive information during the proceedings of the shareholders meeting using the means of communication described in (b) (including alternative means of communication in the event of a communication failure).

(2) The following items shall be added to the matters to be recorded in the minutes of the shareholders meeting.
   (a) The means of communication used to send and receive information during the proceedings of the shareholders meeting.
   (b) A statement to the effect that no place was designated for the shareholders meeting.

(3) A stock company must prepare documents or electronic or magnetic records stating or recording the communication logs and contents of communications (Note 1) in the proceedings of a shareholders meeting (hereinafter referred to as the 'communication records, etc.'), and must retain such communication records, etc. for a certain period (Note 2) from the date of the shareholders meeting.

(4) Shareholders may, at any time during the business hours of a stock company, request

inspection or copying of the communication records, etc., by stating the reason for the request, and the stock company may not refuse such request except in certain cases (it is envisaged that rules similar to each item of Article 311, paragraph (5) of the Companies Act will be provided, and cases falling under any of those items are assumed). (Note 3)

(Note 1) The specific contents of the communication records, etc., to be retained shall be subject to further consideration. It is envisaged that such contents should include information necessary for the ex post verification of the propriety of the proceedings, such as: (i) the status of shareholders' attendance and departure (including access to the system); (ii) the status and contents of questions and motions submitted but not addressed at the shareholders meeting; (iii) the status of shareholders' exercise of voting rights; and (iv) other communications between the stock company and shareholders (such as chat exchanges that do not constitute questions or motions).

(Note 2) The retention period shall be subject to further consideration. There are views: (i) that it should be set at ten years, in line with the minutes of shareholders meetings; and (ii) that it should be set at a shorter period (e.g., one year).

(Note 3) Regarding shareholders' inspection or copying of the communication records, etc., there is also a view that such actions should be subject to the shareholder obtaining court permission.

3. Special Provisions on Action Seeking Revocation of a Resolution of Shareholders Meeting

The following rules shall be established with respect to special provisions (safe harbor rules) on actions seeking revocation of a resolution of a virtual-only shareholders meeting.

In cases where a stock company has taken measures to address communication failures (meaning the use of a communication method for which measures against communication failures have been implemented, and including the use of an alternative communication method in the event of a communication failure; the same applies hereinafter) to the extent reasonably necessary (Note 1), and where the method of resolution of the shareholders meeting violates laws and regulations or the articles of incorporation due to a communication failure, such violation shall constitute grounds for revocation of the resolution only if it falls under either (1) or (2) below:

(1) The communication failure was caused by the intent or gross negligence of the stock company. (Note 2)

(2) The fact that the method of resolution at the shareholders meeting violated laws and regulations or the articles of incorporation due to the communication failure affects the resolution.

(Note 1) There is also a view that taking measures to address communication failures should be treated as a requirement for conducting virtual-only shareholders meeting set forth in 1 above, rather than a requirement for the application of the safe harbor rule.

(Note 2) There is also a view that the subject of intent or gross negligence should be "the occurrence of grounds for revocation due to a communication failure."

4. Postponement or Adjournment of Shareholders Meetings

The following rule shall be established with respect to the postponement or adjournment of a virtual-only shareholders meeting: where there is a resolution to the effect that the chairperson of the shareholders meeting may decide to postpone or adjourn the meeting if a communication failure causes a material disruption to the proceedings, and the chairperson makes such a decision pursuant to that resolution, the provisions of Articles 298 and 299 of the Companies Act shall not apply.

(Note) Whether to establish separate provisions concerning notification to shareholders in the event the chairperson decides to postpone or adjourn the shareholders meeting shall be subject to further consideration.

5. Right to Request the Convening of a Shareholders Meeting with a Designated Place

Shareholders shall not have the right to request the convening of a shareholders meeting with a designated place.

(Note 1) There is a view that, in cases where a shareholder requests the convening of a shareholders meeting pursuant to Article 297 of the Companies Act and the stock company convenes a shareholders meeting based on such request, said shareholder may request the stock company to convene the shareholders meeting as a shareholders meeting with a designated place.

(Note 2) There is a view that a stock company may stipulate in its articles of incorporation that it will grant shareholders the right to request the stock company to convene a shareholders meeting as a shareholders meeting with a designated place under certain circumstances (generally, when a request is made by shareholders holding a certain percentage or more of the voting rights).

6. Scope of Application of the Rules

(1) The scope of application of these rules shall cover all stock companies, including unlisted companies.

(2) Whether to establish rules for hybrid attendance-type virtual shareholders meetings (meaning shareholders meetings held at a designated place, where shareholders not

present at the place may also attend via the Internet or other means of communication) shall be subject to further consideration, while taking into account the specific contents of the rules on virtual-only shareholders meetings. If rules are to be established, it is envisaged that such rules will, in principle, be limited to rules on matters to be determined upon convening and matters to be included in the notice of convening (as set forth in 2(1)(b), (c), and (e) above), matters to be included in the minutes of shareholders meetings (2(2)(a) above), and special provisions on actions seeking revocation of a resolution of shareholders meetings (safe harbor rules) (3 above).

7. Virtual Bondholder Meetings

Regarding bondholder meetings without a designated place (hereinafter referred to as "virtual-only bondholder meetings"), the following rules (1) through (4) shall be established.

(1) Requirements for Conducting Virtual-Only Bondholders Meetings (Note 1)

The person who convenes a bondholders meeting (hereinafter referred to as the "Convener") must use a means of communication that allows for the immediate and mutual transmission and reception of information regarding the proceedings of the bondholders meeting, to the extent reasonably necessary.

(2) Procedures for Conducting Virtual-Only Bondholders Meetings

(a) The matters set forth in 2(1)(a) through (c) and (e) above shall be added to the matters to be decided for convening and the matters to be included in the notice of convening (with respect to the matter set forth in 2(1)(e) above, it shall be limited to the matters to be included in the notice of convening).

(b) The matters set forth in 2(2)(a) and (b) above shall be added to the matters to be included in the minutes of a bondholders meeting.

(c) The convener must prepare documents or electronic or magnetic records stating or recording the communication logs and contents of communications in the proceedings of a bondholders meeting, and must retain such communication records, etc. for a certain period (Note 2) from the date of the bondholders meeting.

(3) Special Provisions on Rejection of Resolutions of Bondholders Meetings

In cases where the convener has taken measures to address communication failures to the extent reasonably deemed necessary, and where the method of resolution at the bondholders meeting violates laws and regulations or the articles of incorporation due to a communication failure, such violation shall constitute grounds for rejection of the resolution only if it falls under either (a) or (b) below.

(a) The communication failure was caused by the intent or gross negligence of the convener.

(b) The fact that the method of resolution at the bondholders meeting violated laws and regulations or the articles of incorporation due to the communication failure affects the resolution.

(4) Postponement or Adjournment of Bondholders Meetings

In cases where there is a resolution to the effect that the chairperson of the bondholders meeting may decide to postpone or adjourn the meeting if a communication failure causes a material disruption to the proceedings, and the chairperson makes such a decision pursuant to that resolution, the provisions of Articles 719 and 720 of the Companies Act shall not apply. (Note 3)

(Note 1) In principle, it is envisaged that a bondholders meeting may be held without designating a place even if the terms of the bonds (meaning the matters set forth in each item of Article 676 of the Companies Act; the same shall apply hereinafter) do not so provide; furthermore, it is envisaged that a virtual-only bondholders meeting may not be held where the terms of the bonds provide that "a place must be designated." However, there is also a view that a bondholders meeting should be permitted to be held without designating a place only where the terms of the bond so provide.

(Note 2) It is envisaged that the period shall be the same as that specified in 2(3) above.

(Note 3) Whether to establish separate provisions concerning notification to bondholders in the event the chairperson decides to postpone or adjourn the bondholders meeting shall be subject to further consideration.

8. Review of the written certificates system prescribed in Article 86 of the Act on the Book-Entry Transfer of Corporate Bonds, Shares, etc.

Regarding the written certificates system prescribed in Article 86 of the Act on the Book-Entry Transfer of Corporate Bonds, Shares, etc. (Act No. 75 of 2001; hereinafter referred to as the "Book-Entry Transfer Act"), one of the following proposals shall be adopted.

[Proposal A] Regarding the requirement that bondholders of book-entry bonds present a written certificate to exercise their voting rights at a bondholders meeting pursuant to Article 86 of the Book-Entry Transfer Act, the presentation of a certificate in the form of electronic record shall also be permitted. (Note 1) (Note 2) (Note 3)

[Proposal B] The provisions of the current law shall be maintained.

(Note 1) Whether to require, as the technical requirement for systems that create and manage a certificate in the form of electronic record, that certain measures be taken to enable the identification of the original data of such certificate shall be subject to further consideration.

(Note 2) If the technical requirement in Note 1 is adopted, the presentation of a certificate

in the form of electronic record may increase the burden on bondholders and a bond-issuing company. Whether to require the agreement between the bondholder and the bond-issuing company to present such certificate, and whether the bond-issuing company may provide in the matters on bonds for subscription that the presentation of such certificate is permissible in lieu of such individual agreements shall be subject to further consideration.

(Note 3) If the technical requirement in Note 1 is not adopted, whether the bond-issuing company, etc., may request that a book-entry transfer institution or an account management institution provide information regarding the rights holder of book-entry bonds shall be subject to further consideration.

Section 2: Beneficial Shareholder Identification System

1. System for Stock Companies to Identify Beneficial Shareholders (Instruction-giving Shareholders)

(1) Regarding the system for a stock company to identify beneficial shareholders (instruction-giving shareholders), the following rules (a) through (e) shall be established, with the purpose of the system being the "promotion of constructive dialogue between the stock company and its shareholders".

(a) A listed company may request a registered shareholder who is an intermediary (Note 1) to provide information (Note 2) regarding the immediate intermediary (meaning another intermediary to which an intermediary provides intermediary services (Note 1); the same applies hereinafter) or the instruction-giving person (meaning a person other than an intermediary who has the authority to give instructions to an intermediary regarding the exercise of voting rights pertaining to the shares of a listed company based on a trust contract or any other contract or the provisions of laws [if such person has delegated all such authority to a third party, limited to such delegatee]; the same applies hereinafter) with respect to the shares of said listed company held by said registered shareholder, in accordance with (b) and (c).

(b) An intermediary who has received a request pursuant to (a) or a notification pursuant to this provision must notify the immediate intermediary, if any, with respect to the shares pertaining to such request to the effect that the intermediary has received the request or notification within a specified period (Note 3) from the time the intermediary received the request or notification.

(c) An intermediary who has received a request pursuant to (a) or a notification pursuant to (b) must, within a specified period (Note 4) from the time it received the request or notification, provide information regarding the matters specified in (i) through

(iii) below to the listed company that made the request, in accordance with the categories of the cases listed in the following (i) through (iii).

(i) In cases where there is an immediate intermediary of said intermediary regarding the shares of said listed company held by said intermediary or for which said intermediary receives intermediary services (hereinafter referred to as "subject shares"): For each immediate intermediary, the name or corporate name, corporate identification number (limited to cases where the immediate intermediary is a corporation and such information is known), address, and email address (limited to cases where such information is known) and the number of subject shares pertaining to the intermediary services provided to said immediate intermediary.

(ii) In cases where there is an instruction-giving person for said intermediary regarding the subject shares: For each instruction-giving person, the name or corporate name, corporate identification number (limited to cases where the person is a corporation and such information is known), address, email address (limited to cases where such information is known), and the number of subject shares for which the person has the authority to give instructions concerning the exercise of voting rights.

(iii) In cases where there are subject shares that do not fall under either (i) or (ii): The number of such shares.

(d) The costs for providing information or notification pursuant to (b) or (c) are borne by the listed company that made the request pursuant to (a). (Note 5)

(e) The following persons are punished by a civil fine. (Note 6)

(i) A person who, through intent or gross negligence, fails to provide a notification pursuant to (b) or provides a false notification.

(ii) A person who, through intent or gross negligence, fails to provide information pursuant to (c) or provides false information.

(2) Regarding attending shareholders meetings and voting as agents by beneficial shareholders (instruction-giving shareholders), the following rules (a) and (b) shall be established. (Note 7)

(a) Provisions of the articles of incorporation that prohibit a registered shareholder who is an intermediary from exercising voting rights by appointing as its agent the instruction-giving person whose information has been provided to the listed company pursuant to (1)(c), are not effective.

(b) The provisions of Article 310, paragraph (5) of the Companies Act shall not apply to the exercise of voting rights in the case described in (a).

(Note 1) It is envisaged that an "intermediary" shall mean a trust company as defined in Article 2, paragraph (2) of the Trust Business Act; a bank as defined in Article 2, paragraph (1) of the Banking Act; a financial instruments business operator as defined in Article 2, paragraph (9) of the Financial Instruments and Exchange Act; a financial institution authorized under Article 1, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions; or any other person which, on a regular basis, provides services of owning of shares, safekeeping of shares, administration of shares or maintenance of securities accounts for a third party (hereinafter referred to as "intermediary services"). It is envisaged that this definition shall exclude: persons conducting such intermediary services with respect to said shares as an investment management business prescribed in Article 28, paragraph (4) of the Financial Instruments and Exchange Act; persons entrusting such intermediary services to said persons; and book-entry transfer institutions prescribed in Article 2, paragraph (2) of the Book-Entry Transfer Act. This matter shall be subject to further consideration taking into account practical insights.

(Note 2) The necessity of imposing certain restrictions concerning the record date for identification or setting time limits shall be subject to further consideration.

(Note 3) Regarding the deadline for notifying (forwarding) requests to the immediate intermediary, there are several approaches: (i) an approach similar to the EU (European Union) Shareholder Rights Directive II (Directive 2007/36/EC, as amended by Directive (EU) 2017/828; the same applies hereinafter), under which requests received by 4:00 PM on a business day must be processed on the same day, and requests received after 4:00 PM must be processed by 10:00 AM on the following business day; or (ii) an approach adopting a longer period, such as within three business days.

(Note 4) Regarding the deadline for an intermediary that has received a notification to provide information to a listed company, with the starting point being the record date specified by the listed company or the receipt of the request, whichever is later, there are approaches such as: (i) setting the deadline as the next business day, as in the EU Shareholder Rights Directive II; or (ii) setting a longer period, such as (x) within three business days or (y) within seven days.

(Note 5) From the perspective of preventing intermediaries from charging excessively high fees and ensuring predictability for listed companies, the necessity of implementing certain measures shall be subject to further consideration. Such measures may include requiring intermediaries to disclose fee amounts in advance to prohibit arbitrary fee charges, and establishing upper limits on the fees each intermediary may charge a listed company per confirmation request, as well as on the total amount of fees a listed company

pays to all intermediaries.

(Note 6) As a measure to ensure the enforceability of the system, there is a proposal to suspend the voting rights of violators. However, it has been pointed out that, in order to justify imposing such a severe sanction as the suspension of voting rights, additional purposes, such as obtaining important information regarding the control of the stock company, should be added to the system's primary purpose of promoting constructive dialogue between the stock company and its shareholders.

(Note 7) Considering that "instruction-giving persons" will be defined under the Companies Act as parties deemed categorically appropriate as counterparts for dialogue with a stock company, with the purpose of the system described in (1) being the promotion of constructive dialogue, there are views that: (i) the scope of instruction-giving persons whom a registered shareholder may appoint as agents should include all such persons (without being limited to those whose information has been provided by an intermediary to a listed company through this system); and (ii) as a future review, consideration should be given to allowing instruction-giving persons to attend shareholders meetings and exercise voting rights and shareholder proposal rights as principals (rather than as agents).

2. Rules Requiring the Shareholder Side to Notify the Stock Company

Regarding the rules requiring the shareholder side to notify the stock company, the following rules (1) through (7) shall be established.

(1) Any person required to submit a statement of large-volume holdings or a statement of changes (limited to those pertaining to share certificates, etc. (as defined in Article 27-23, paragraph (1) of the Financial Instruments and Exchange Act; the same applies hereinafter) issued by a listed company; hereinafter referred to as "statement of large-volume holdings or changes") pursuant to the provisions of Article 27-23, paragraph (1), Article 27-25, paragraph (1) or Article 27-26, paragraphs (1), (2), (4) or (5) of the Financial Instruments and Exchange Act must submit said statement of large-volume holdings or changes to the listed company issuing such share certificates, etc. by the submission deadline.

(2) A listed company must keep the statement of large-volume holdings or changes at its head office for a specified period (envisaged to be five years) from the date of its submission pursuant to (1).

(3) The shareholders may make requests for the inspection or copying of the statement of large-volume holdings or changes submitted pursuant to (1) at any time during the business hours of the listed company.

(4) The submission of a statement of large-volume holdings or changes pursuant to (1) may

be substituted by submission to the Prime Minister pursuant to the provisions of the Financial Instruments and Exchange Act. In this case, (2) and (3) do not apply.

(5) If a person violates (1) (hereinafter referred to as the "violator") (Note 2) by failing to submit a statement of large-volume holdings or changes (excluding, in the case of a change report, those pertaining to minor changes (Note 1)) or by submitting a statement of large-volume holdings or changes that contains a false statement about a material particular or that omits a statement as to a material particular that is required to be stated, and a certain period (Note 3) has elapsed from the date that the listed company that issued the share certificates, etc. with regard to the violation has issued a notice to the violator stating that the shares shall not carry voting rights (hereinafter referred to as the "notice of suspension of voting rights"), then the shares of the listed company held by the violator (including shares held after the notification and cases where the violator has the authority set forth in items of Article 27-23, paragraph (3) of the Financial Instruments and Exchange Act with regard to those share certificates, etc.; hereinafter the same applies in this Section 2) do not carry voting rights while the violator holds them. However, this does not apply after a certain period (currently envisaged to be five years) has elapsed from the date the violation occurred, or after a certain period (Note 5) has elapsed from the date that the statement of large-volume holdings or changes pertaining to said violation was subsequently submitted. (Note 4)

(6) A notice of suspension of voting rights must clearly state the details of the violation to which the notice pertains.

(7) The decision as to whether or not to issue a notice of suspension of voting rights must be made by a resolution at a board of directors meeting. (Note 6)

(Note 1) The specific scope of minor changes shall be subject to further consideration.

(Note 2) Regarding special reports under Article 27-26, paragraph (1) or (2) of the Financial Instruments and Exchange Act, the necessity of limiting the scope of violations subject to suspension of voting rights shall be subject to further consideration. This consideration will be based on the fact that persons subject to such special reports engage in repeated and continuous trading of share certificates, etc., as part of their daily business operations and are thus prone to violating notification obligations due to clerical errors, while they do not hold such share certificates, etc., for the purpose of making a material proposal and their ownership ratio of share certificates, etc. (meaning the ownership ratio of share certificates, etc. defined in Article 27-23, paragraph (4) of the Financial Instruments and Exchange Act) does not exceed 10% (Article 27-26, paragraph (1) of the Financial Instruments and Exchange Act and Article 12 of the Cabinet Office Order on Disclosure of the Status of Large-Volume Holdings in Share Certificates (Ordinance of the Ministry

of Finance No. 36 of 1990)).

(Note 3) In order to ensure that a person who has received a notice of suspension of voting rights has the opportunity to contest the existence of the violation by filing a petition for a provisional disposition permitting the exercise of voting rights, a certain period is to be established between when the notice of suspension of voting rights is issued and when the suspension takes effect; there are views to set this period at three weeks or one month.

(Note 4) It is envisaged that the term "subsequent submission" means that the violator submits a statement of large-volume holdings or changes based on the most recent event at that time—among the events requiring the submission of such statements regarding the relevant share certificates, etc.—in accordance with (1) or the provisions of the Financial Instruments and Exchange Act.

(Note 5) Regarding the period until the suspension of voting rights is lifted through subsequent submission, reflecting the intent of the measure as a sanction, there are various views, including setting it until the conclusion of the first shareholders meeting convened after such submission, or setting it at one year after such submission.

(Note 6) There is also a view that the decision as to whether or not to issue a notice of suspension of voting rights should not be a matter requiring a resolution at the board of directors.

(Note 7) In order to reflect a suspension of voting rights in a resolution at the shareholders meeting (e.g., excluding the voting rights exercised with respect to shares held by violators, particularly those who are not registered shareholders, from the vote counting), the necessity of taking any measures shall be subject to further consideration.

(Note 8) Even if voting rights have not been suspended prior to the shareholders meeting, it is envisaged that if, for example, multiple parties agree to jointly propose the appointment of a representative director or similar matters, acquire shares in coordination, intentionally fail to file a statement of large-volume holdings or changes to conceal their status as joint holders, and pass a shareholder proposal by exercising their voting rights simultaneously, such exercise of voting rights by these violators under these circumstances would constitute grounds for revocation of the resolution at the shareholders meeting.

Section 3: Other Matters for Consideration Regarding Digitalization of Shareholders Meetings

1. Review of Requesting Delivery of Documents

Regarding the review of requesting delivery of documents under the measures for electronic provision for shareholders meeting materials, one of the following proposals shall be adopted.

[Proposal A] [Following a certain transition period,] the provisions of requesting delivery of documents will be abolished.

[Proposal B] The provisions of the current law shall be maintained.

2. Review of the Exercise of Voting Rights in Writing

Regarding the review of the exercise of voting rights in writing, one of the following proposals shall be adopted.

[Proposal A] Directors (or, in cases where a shareholder convenes a shareholders meeting pursuant to the provisions of Article 297, paragraph (4) of the Companies Act, such shareholder) must decide the matters set forth in Article 298, paragraph (1), item (iii) or (iv) of the Companies Act if the number of shareholders (excluding shareholders who may not vote on all matters which may be resolved at the shareholders meeting) is one thousand or more.

[Proposal B] The provisions of the current law shall be maintained.

(Note) If [Proposal A] is adopted, similar revisions shall be made to the corresponding provisions regarding a bondholders meeting (Article 726, paragraph (1) of the Companies Act).

3. Review of Notice by Electronic Means for Convening Shareholders Meetings

Regarding notice by electronic means for convening shareholders meetings, the following rules (1) through (3) shall be established.

(1) A listed company may, with the consent of the shareholders, enter or record in the shareholder register the shareholder's email address and other information necessary to contact the shareholder via the Internet or similar means (hereinafter referred to as "email address, etc.").

(2) In Article 151, paragraph (1) of the Book-Entry Transfer Act, "email addresses, etc. (limited to cases where the shareholder has consented to the provision of such email addresses, etc.)" shall be added to the matters that a book-entry transfer institution must promptly notify the issuer of.

(3) In cases where a notice is sent to a shareholder whose email address, etc., is entered or recorded in the shareholder register by the method set forth in Article 299, paragraph (3) of the Companies Act, the consent of such shareholders is not required.

(Note) As a future review, there is a view that, under certain conditions, a shareholder's email address, etc., shall be made a mandatory entry in the shareholder register, and a notice by electronic means may be sent in lieu of a written notice without obtaining the shareholder's consent.

Section 4: Review of Rules on Shareholders Meeting as Deliberative Body

1. Streamlining Resolutions of Shareholders Meeting in Cases Where Voting Rights Have Been Exercised in Advance

Regarding the streamlining of resolutions at a shareholders meeting in cases where voting rights have been exercised in advance in writing or by electronic means (Articles 311 and 312 of the Companies Act; hereinafter referred to as "advance exercise of voting rights"), and on the premise that the shareholders meeting itself must be held in any case, the following shall be implemented in accordance with either [Proposal A] or [Proposal B], or both:

[Proposal A] Pursuant to the following rules (1) through (3), a resolution of the shareholders meeting shall be deemed to have been adopted by advance exercise of voting rights.

(1) A stock company may provide in its articles of incorporation that, when convening a shareholders meeting, if matters listed in Article 298, paragraph (1), item (iii) or item (iv) of the Companies Act have been determined, and if a proposal relating to a matter that is the purpose of the shareholders meeting satisfies the requirements for a resolution—assuming all shareholders entitled to vote on said proposal were present—by the advance exercise of voting rights, a resolution of the shareholders meeting to approve said proposal is deemed to have been adopted at the time the deadline for the advance exercise of voting rights has passed.

(2) The following is added to the matters to be decided for convening a shareholders meeting and the matters to be included in the notice of convening: "In cases where the matters listed in Article 298, paragraph (1), item (iii) or item (iv) of the Companies Act have been determined, and if a proposal relating to a matter that is the purpose of the shareholders meeting is deemed to have been adopted in accordance with the provision of the articles of incorporation prescribed in (1), a statement to that effect."

(3) If a resolution of the shareholders meeting is deemed to have been adopted pursuant to the provision of the articles of incorporation prescribed in (1), the directors must report to that effect to the shareholders meeting.

(Note 1) It is envisaged that: (i) rules to the same effect will be established with respect to resolutions to reject a proposal relating to a matter that is the purpose of the shareholders meeting; however, (ii) rules to the same effect will not be established with respect to a report relating to a matter that is the purpose of the shareholders meeting.

(Note 2) It is envisaged that, in cases where a resolution of the shareholders meeting is deemed to have been adopted pursuant to the provision of the articles of incorporation under (1): (i) shareholders may not submit a proposal relating to a matter that is the

purpose of the shareholders meeting prescribed in (1) at the shareholders meeting; and (ii) circumstances arising after such resolution shall not constitute grounds for revocation of the resolution of the shareholders meeting.

[Proposal B] In cases where a proposal relating to a matter that is the purpose of the shareholders meeting satisfies the requirements for a resolution—assuming all shareholders entitled to vote on said proposal were present—by the advance exercise of voting rights (excluding those exercised by shareholders attending the shareholders meeting) by the deadline for the advance exercise of voting rights, the fact that the method of resolution of the shareholders meeting violated laws or regulations or the articles of incorporation, or was grossly improper, shall not constitute grounds for revocation of the resolution of the shareholders meeting.

(Endnote) There is also a view that, in cases where a proposal relating to a matter that is the purpose of the shareholders meeting satisfies the requirements for a resolution—assuming all shareholders entitled to vote on said proposal were present—by the advance exercise of voting rights (excluding those exercised by shareholders attending the shareholders meeting) by the deadline for the advance exercise of voting rights, and where the chairperson of the shareholders meeting declares to that effect, a resolution of the shareholders meeting to approve said proposal shall be deemed to have been adopted.

2. Review of Written Resolution of Shareholders Meeting

The following rules shall be established regarding a written resolution of a shareholders meeting.

In cases where a director or a shareholder notifies shareholders (limited to those who may exercise voting rights on the matter in question; the same applies hereinafter in 2) of a proposal relating to a matter that is the purpose of the shareholders meeting, and where both of the following conditions (1) and (2) are met, a resolution of the shareholders meeting to approve said proposal is deemed to have been adopted; provided, however, that this does not apply if any shareholder has raised an objection within one week from the day that the notification was issued.

(1) Shareholders holding at least nine-tenths (or, if any proportion higher than that is provided for in the articles of incorporation, the proportion) of the total voting rights of all shareholders (excluding shareholders who cannot exercise voting rights on the matter) have manifested their intention to agree to the proposal in writing or electronically.

(2) If the shareholders who manifested their intention to agree prescribed in (1) had voted in favor of the resolution regarding the proposal at a shareholders meeting, the requirements for a resolution of the shareholders meeting would be satisfied.

(Note) Similar rules shall apply to reports to shareholders meetings.

3. Review of the Rules for Deemed Adoption of Resolution of Bondholders Meeting

Regarding the rules for deemed adoption of a resolution of a bondholders meeting, either [Proposal A] or [Proposal B] below, or both, shall apply.

[Proposal A] Pursuant to the following rules (1) through (10), a resolution of the bondholders meeting shall be deemed to have been adopted by a majority vote based on the total voting rights of the voting rights holders (meaning the bondholders who can exercise voting rights; the same applies hereinafter) who have actually exercised their voting rights.

(1) In cases where a bond-issuing company or a bond administrator has notified, in writing, known bondholders (limited to those with voting rights), the bond-issuing company, and the bond administrator or the assistant bond administrator, if appointed, of a proposal with respect to any matter that is the purpose of a bondholders meeting, and if by a date specified by the proposer (limited to a date two weeks or more after the day that the notification is issued; hereinafter referred to as the "consent deadline" in [Proposal A]), consent to said proposal is given by the persons prescribed in (a) or (b) below, depending on the classification of the matters prescribed in (a) or (b), a resolution of the bondholders meeting to approve said proposal is deemed to have been adopted upon the expiration of the consent deadline.

(a) Matters listed in each item of Article 724, paragraph (2) of the Companies Act: Persons who hold not less than one-fifth of the total amount of voting rights of voting rights holders, being not less than two-thirds of the total amount of voting rights of voting rights holders who have exercised their voting rights in writing (or by electronic means, if the proposer permits bondholders to exercise their voting rights by electronic means; the same applies in (b) below).

(b) Matters other than those prescribed in (a): Persons who hold more than half of the total amount of voting rights of voting rights holders who have exercised their voting rights in writing.

(2) In the cases set forth below, an assistant bond administrator may make a proposal prescribed in (1).

(a) if a request is made pursuant to the provisions of (3); or

(b) if it is necessary to obtain the consent of a bondholders meeting pursuant to Article 711, paragraph (1) of the Companies Act applicable mutatis mutandis pursuant to Article 714-7 of the Companies Act.

(3) Bondholders who hold not less than one-tenth of the total amount of bonds of a certain

class (excluding bonds that have been redeemed) may demand that the bond-issuing company, bond administrator or assistant bond administrator make a proposal prescribed in (1), by stating the proposal with respect to any matter that is the purpose of a bondholders meeting and the reasons for the proposal.

(4) The sum of the amount of bonds in the class in question which are held by the bond-issuing company itself is not included in the calculation of the total amount of the bonds prescribed in paragraph (3).

(5) In the following cases, the bondholders who made the demand under the provisions of paragraph (3) may make a proposal prescribed in paragraph (1) with the permission of the court:

(a) If a proposal prescribed in (1) is not made without delay following the demand made pursuant to (3); or

(b) If a proposal prescribed in (1) specifying a consent deadline within an eight-week period after the day of the demand prescribed in (3) is not made.

(6) Bondholders of bearer bonds who intend to make a demand pursuant to the provisions of paragraph (3) or a proposal pursuant to (5) must present their bond certificates to the bond-issuing company, bond administrator or assistant bond administrator.

(7) If a bond-issuing company issues bearer bond certificates, in order to make a proposal prescribed in (1), the proposer must give public notice of the proposal prescribed in (1) no later than three weeks prior to the consent deadline.

(8) The public notice pursuant to the provisions of (7) must be given in accordance with the means of public notice used by the bond-issuing company; provided, however, that, if the proposer is a person other than the bond-issuing company, and that method is electronic public notice, that public notice must be effected by publication in the Official Gazette.

(9) When making a proposal prescribed in (1), the proposer must deliver reference documents for bondholders meetings and voting forms to known bondholders (limited to those with voting rights).

(10) The following is added to the terms of the offering: “If no proposal prescribed in (1) is to be made, a statement to that effect.”

[Proposal B] Pursuant to the following rules (1) through (10), a resolution of the bondholders meeting shall be deemed to have been adopted by a majority vote based on the total amount of voting rights of all voting rights holders.

(1) In cases where a bond-issuing company or a bond administrator has notified, in writing, known bondholders (limited to those with voting rights), the bond-issuing company, and the bond administrator or the assistant bond administrator, if appointed, of a proposal

with respect to any matter that is the purpose of a bondholders meeting, and if by a date specified by the proposer (hereinafter referred to as the "consent deadline" in [Proposal B]), the persons specified in (a) or (b) below, depending on the classification of the matters listed in (a) or (b), express consent to said proposal in writing or electronically, a resolution of the bondholders meeting to approve said proposal is deemed to have been adopted upon the expiration of the consent deadline.

(a) Matters listed in each item of Article 724, paragraph (2) of the Companies Act: Persons who hold two-thirds or more of the total amount of voting rights of all voting rights holders.

(b) Matters other than those prescribed in (a): Persons who hold more than half of the total amount of voting rights of all voting rights holders.

(2) In the cases set forth below, an assistant bond administrator may make a proposal prescribed in (1).

(a) If a request is made pursuant to the provisions of (3); or

(b) If it is necessary to obtain the consent of a bondholders meeting pursuant to Article 711, paragraph (1) of the Companies Act applicable mutatis mutandis pursuant to Article 714-7 of the Companies Act.

(3) Bondholders who hold not less than one-tenth of the total amount of bonds of a certain class (excluding bonds that have been redeemed) may demand that the bond-issuing company, bond administrator or assistant bond administrator make a proposal prescribed in (1), by stating the proposal with respect to any matter that is the purpose of a bondholders meeting and the reasons for the proposal.

(4) The sum of the amount of bonds in the class in question which are held by the bond-issuing company itself is not included in the calculation of the total amount of the bonds prescribed in paragraph (3).

(5) In the following cases, the bondholders who made the demand under the provisions of paragraph (3) may make a proposal prescribed in paragraph (1) with the permission of the court:

(a) If a proposal prescribed in (1) is not made without delay following the demand made pursuant to the provisions of (3); or

(b) If a proposal prescribed in (1) specifying a consent deadline within an eight-week period after the day of the demand under (3) is not made.

(6) Bondholders of bearer bonds who intend to make a demand pursuant to the provisions of paragraph (3) or a proposal pursuant to the provisions of (5) must present their bond certificates to the bond-issuing company, bond administrator or assistant bond administrator.

(7) If a bond-issuing company issues bearer bond certificates, in order to make a proposal prescribed in (1), the proposer must give public notice of the proposal prescribed in (1) prior to the consent deadline.

(8) The public notice pursuant to the provisions of (7) must be given in accordance with the means of public notice used by the bond-issuing company; provided, however, that, if the proposer is a person other than the bond-issuing company, and that method is electronic public notice, that public notice must be effected by publication in the Official Gazette.

(9) When making a proposal prescribed in (1), the proposer must deliver reference documents for bondholders meetings to known bondholders (limited to those with voting rights).

(10) The following is added to the terms of the offering: "If no proposal prescribed in (1) is to be made, a statement to that effect."

(Endnote 1) Whether the notification under (1) and the delivery under (9) of both [Proposal A] and [Proposal B] may be conducted by electronic means, and the requirements therefor shall be subject to further consideration.

(Endnote 2) The procedures required for bondholders of bearer bonds and book-entry transfer corporate bonds to give their consent under (1) of both [Proposal A] and [Proposal B] shall be subject to further consideration.

(Endnote 3) The application of these provisions to bonds that exist at the time of enforcement of the amended Act shall be subject to further consideration.

4. Review of Cash-Out Procedures

Regarding persons who qualify as a "special controlling shareholder" entitled to make a demand for share, etc. cash-out, either [Proposal A] or [Proposal B] shall apply.

[Proposal A] In addition to a person who holds not less than nine-tenths of the voting rights of all shareholders, this shall include a person who has come to hold not less than two-thirds of the voting rights of all shareholders through a tender offer as provided in Article 27-2, paragraph (6) of the Financial Instruments and Exchange Act (limited to those in which fair procedures (Note) to ensure the interests of minority shareholders (meaning shareholders who do not share material common interests with the acquirer; the same applies hereinafter), including the setting of a majority-of-the-minority condition, have been implemented).

[Proposal B] The provisions of the current law shall be maintained.

(Note) It is envisaged that the specific content of the fair procedures to ensure the interests of minority shareholders would include, in addition to the setting of a majority-of-the-

minority condition (i.e., making the tender offer conditional upon approval by a majority of the shares held by minority shareholders): (i) a clear statement in the tender offer statement that, if the tender offer is successfully completed and the bidder comes to hold not less than two-thirds of the voting rights of all shareholders, a cash-out will be promptly carried out through a demand for share, etc. cash-out; and (ii) a clear statement in the tender offer statement that the price of the cash consideration to be delivered to minority shareholders in the subsequent cash-out will not be less favorable than the tender offer price; however, including as to whether additional procedures are required, this matter shall be subject to further consideration.

Section 5: Review of Rules on Shareholders' Right to Propose

1. Review of the Requirements for the Number of Voting Rights for Shareholders' Right to Propose

Regarding the requirement for the number of voting rights (300 or more voting rights) among the requirements for the exercise of shareholders' proposal rights in companies with board of directors, either [Proposal A] or [Proposal B] shall apply.

[Proposal A] The requirement for the number of voting rights shall be abolished. (Note 1)

[Proposal B] The requirement for the number of voting rights of '300' shall be increased to a certain number (Note 2). (Note 3)

(Note 1) There is also a view that the requirement for the number of voting rights should be allowed to be excluded where the articles of incorporation so provide.

(Note 2) There are views that the specific number should be set at '500', as well as views that it should be set at '1,000' or '1,500', taking into account future reductions in investment units, among other factors.

(Note 3) There are views that: (i) where the articles of incorporation so provide, '300' may be increased to a certain number; or (ii) after increasing '300' to a certain number in accordance with [Proposal B], it may be further increased by the articles of incorporation.

2. Review of the Deadline for Exercising Shareholders' Right to Propose

Regarding the deadline for exercising shareholders' right to propose (up to 8 weeks prior to the date of the shareholders meeting), one of [Proposal A] through [Proposal C] shall apply.

[Proposal A] The "8-week" period shall be extended (it is envisaged that it will be approximately 10 weeks).

[Proposal B] A rule shall be established to the effect that, where a stock company gives notice (Note 1) to shareholders of the date of the shareholders meeting by a certain time (it is envisaged that this will be 4 months prior to the date of the shareholders meeting),

shareholders must exercise their shareholder proposal rights by a certain period (it is envisaged that this will be 3 months) prior to the date of the shareholders meeting. (Note 2)

[Proposal C] The provisions of the current law shall be maintained.

(Note 1) Further consideration shall be given to alternative methods of notice, including whether a public notice may be used in lieu of such notice, depending on the type and scale of the stock company, such as whether it is a listed company.

(Note 2) There is also a view that the review under [Proposal B] should be made in addition to the review under [Proposal A].

Section 6: Other Matters

1. Review of the Investigator System under Article 316, Paragraph (2) of the Companies Act

Regarding the review of the investigator system under Article 316, paragraph (2) of the Companies Act (hereinafter referred to as "paragraph (2) investigator"), one of the following proposals shall be adopted.

[Proposal A] On the premise that Article 316, paragraph (2) of the Companies Act is maintained, the following rules (1) through (6) shall be established.

(1) In a company with board of directors, a resolution to appoint a paragraph (2) investigator may be adopted only if the matter has been specified as a purpose of a shareholders meeting in the decision to convene the meeting. (Note 1)

(2) A shareholder who demands that the directors convene a shareholders meeting for the purpose of appointing a paragraph (2) investigator, pursuant to the provisions of Article 297, paragraph (1) of the Companies Act (hereinafter referred to as "proposing shareholder" in [Proposal A]), must notify the directors of the following matters regarding the proposal for the appointment of the paragraph (2) investigator when making the demand. In this case, the proposing shareholder may, in addition to said matters, notify the directors of any matters relevant to shareholders' voting.

(a) The reason for the proposal

(b) The purpose of the investigation

(c) The matters regarding the candidate as prescribed by Ministry of Justice Order (Note 2)

(d) The matters prescribed in the following (i) or (ii) below, in accordance with the categories of the cases listed in said (i) or (ii)

(i) Remuneration in a fixed amount: that amount

(ii) Remuneration the amount of which is not fixed: the specific method for

calculating that amount

(3) In the case provided for in (2), the directors (or, in cases where the proposing shareholder convenes a shareholders meeting pursuant to the provisions of Article 297, paragraph (4) of the Companies Act, such proposing shareholder) must notify the shareholders of the matters notified pursuant to (2) when convening the meeting. (Note 3)

(4) A paragraph (2) investigator must conduct the necessary investigation and submit a report to the stock company by providing it with a written document or electronic record detailing the results of the investigation. In this case, if responding to the investigation by the paragraph (2) investigator would seriously harm the common interests of the shareholders, the stock company may, with the permission of the court, refuse to respond to that investigation.

(5) A stock company must, within a specified period (Note 4) from the date it receives a report pursuant to (4), report to its shareholders by providing a copy of the written document referred to in (4) or the information recorded in the electronic record referred to in (4). In this case, if reporting to the shareholders by providing all or part of a copy of the written document referred to in (4) or the information recorded in the electronic record referred to in (4) would seriously harm the common interests of the shareholders, the stock company may, with the permission of the court, refrain from providing the shareholders with all or part of a copy of the written document referred to in (4) or the information recorded in the electronic record referred to in (4).

(6) A paragraph (2) investigator shall be added to the list of persons liable for the crime of aggravated breach of trust under Article 960, paragraph (1) of the Companies Act.

(Note 1) Regarding the quorum for a resolution at a shareholders meeting for the appointment of a paragraph (2) investigator, the prohibition on lowering the quorum by the articles of incorporation to less than one-third of the votes of the shareholders shall be subject to further consideration.

(Note 2) It is envisaged that the matters specified by Ministry of Justice Order shall be as follows:

(i) The candidate’s name, date of birth, and brief background;

(ii) If there is a special interest relationship between the candidate and the stock company or the proposing shareholder, a summary of such facts;

(iii) If consent to assume office has not been obtained, that fact; and

(iv) The number of the shares of the stock company held by the candidate (if the stock company is a company with class shares, referring to the class and the number of each class).

(Note 3) Whether stipulating that even when a stock company submits a proposal for the

appointment of a paragraph (2) investigator to a shareholders meeting, it must notify the shareholders of the matters prescribed in (2) shall be subject to further consideration.

(Note 4) Regarding the specific period, “within two weeks” is one possible option.

[Proposal B] On the premise that Article 316, paragraph (2) of the Companies Act is repealed, the following rules (1) through (5) shall be established. (Note 1)

(1) At a shareholders meeting convened pursuant to the provisions of Article 297 of the Companies Act, a resolution may be adopted to file a petition with the court for the appointment of an inspector to investigate the status of the operations and the financial status of a stock company (hereinafter referred to as “business inspector”).

(2) In a company with board of directors, a resolution to file a petition with the court for the appointment of a business inspector may be adopted only if the matter has been specified as a purpose of a shareholders meeting in the decision to convene the meeting. (Note 2)

(3) A shareholder who demands that the directors convene a shareholders meeting for the purpose of appointing a business inspector, pursuant to the provisions of Article 297, paragraph (1) of the Companies Act (hereinafter referred to as “proposing shareholder” in [Proposal B]), must notify the directors of the following matters regarding the proposal for the appointment of a business inspector when making the demand. In this case, the proposing shareholder may notify, in addition to said matters, the directors of any matters relevant to shareholders’ voting.

  (a) The reason for the proposal.

  (b) The purpose of the investigation.

(4) In the case provided for in (3), the directors (or, in cases where the proposing shareholder convenes a shareholders meeting pursuant to the provisions of Article 297, paragraph (4) of the Companies Act, such proposing shareholder) must notify the shareholders of the matters notified pursuant to (3) when convening the meeting.

(5) In cases where a resolution has been adopted pursuant to (1), the proposing shareholder may, notwithstanding the provisions of Article 358, paragraph (1) of the Companies Act, file a petition with the court for the appointment of a business inspector to investigate the status of the operations and the financial status of the stock company.

(Note 1) There is also a view that the provisions of Article 316, paragraph (2) of the Companies Act should simply be repealed (i.e., to abolish the system of paragraph (2) investigator).

(Note 2) Regarding the quorum for a resolution at a shareholders meeting to file a petition with the court for the appointment of a business inspector, as noted in Note 1 of [Proposal A], the prohibition on lowering the quorum by the articles of incorporation to less than one-third of the votes of the shareholders shall be subject to further consideration.

2. Review of Persons Entitled to File a Petition for the Appointment of an Inspector on Convening Procedures of a Shareholders Meeting

Regarding the review of persons entitled to file a petition for the appointment of an inspector on convening procedures of a shareholders meeting, one of the following proposals shall be adopted.

[Proposal A] Directors, executive officers, and auditors shall be added to the persons entitled to file a petition for the appointment of an inspector.

[Proposal B] The provisions of the current law shall be maintained.

Part 3: Review of Rules on Corporate Governance and Other Rules

Section 1: Review of the System of Companies with Nominating Committee, etc.

1. Review of the Authority of Nominating Committee, etc.

(1) Regarding authority of the nominating committee in a company with nominating committee, etc., either [Proposal A] or [Proposal B] shall apply.

[Proposal A] A rule shall be established to the effect that, in a company with nominating committee, etc., where a majority of the directors on the board of directors are outside directors (Note 1), the contents of a determination by the nominating committee regarding proposals for the election and dismissal of directors may be modified by a resolution of the board of directors meeting. (Note 2)

[Proposal B] The provisions of the current law shall be maintained.

(Note 1) Whether it is necessary to establish additional requirements beyond the requirement that a majority of the directors on the board of directors be outside directors shall be subject to further consideration.

(Note 2) It is envisaged that, in cases where the contents of a determination by the nominating committee are modified by a resolution of the board of directors meeting, the stock company must notify shareholders to that effect, and that the nominating committee may state its opinions at the shareholders meeting.

(2) Regarding authority of the compensation committee in a company with nominating committee, etc., either [Proposal A] or [Proposal B] shall apply.

[Proposal A] In cases where the rules set out in (1) [Proposal A] are established for the nominating committee, similar rules shall also be established for the compensation committee.

[Proposal B] The provisions of the current law shall be maintained.

(Endnote) As a matter for future review, a comprehensive reconsideration of the organizational structure for companies oriented toward a monitoring model is an issue. In this regard, there are views such as: (i) requiring, in companies with nominating committee, etc., that a majority of the directors on the board of directors be outside directors; (ii) permitting the appointment of executive officers also in companies with board of company auditors and companies with audit and supervisory committee; and (iii) creating a new organizational structure for companies oriented toward a monitoring model.

2. Review of the Powers and Responsibilities of the Audit Committee

The following rules (1) and (2) shall be established regarding the authority of the Audit

Committee.

(1) Among the directors of a company with nominating committee, etc., directors who also serve as executive officers and executive directors (Note) may not inspect or copy the minutes of the audit committee.

(Note) Regarding the scope of directors who are not permitted to inspect or copy the minutes of the audit committee, there are also views that it should not be limited to directors who also serve as executive officers and executive directors, but should instead be: (i) all directors who are not audit committee members; or (ii) among directors who are not audit committee members, those who are not outside directors.

(2) A stock company shall, when electing directors by a resolution of a shareholders meeting, state in the reference documents for the shareholders meeting that certain directors are scheduled to be appointed as members of the nominating committee, the audit committee, and the compensation committee (hereinafter collectively referred to as the "committees"); and, in cases where a person stated in the reference documents as a director scheduled to be appointed as a member of any of the committees is not appointed as such member, or is removed from or resigns from such position, or where a person not so stated is appointed as a member of any of the committees, the stock company shall state such fact and the reasons therefor in the business report.

(Note) There is also a view that a person who has been removed from office as, or has resigned as, an audit committee member should be entitled to attend the first shareholders meeting to be convened thereafter and to state his or her opinion.

(Endnote) There is also a view that, in a company with nominating committee, etc. that does not designate a full-time audit committee member, rules should be established to the effect that either: (i) a full-time director or employee who is to assist the duties of the audit committee (hereinafter referred to as a "full-time assistant") must be appointed; or (ii) the audit committee may determine whether the appointment of a full-time assistant is necessary.

Section 2: Review of the Rules of the Agreement Limiting Liability

Regarding the review of the rules of the agreement limiting liability, the following rules 1 and 2 shall be established.

1. Directors who are executive directors, etc. (meaning executive directors, etc. as prescribed in Article 2, item (xv), (a) of the Companies Act; the same applies hereinafter) and executive officers shall be added to the parties with whom a stock company may enter into an agreement limiting liability.
2. The liability of a director who is an executive director, etc. or an executive officer under

Article 423, paragraph (1) of the Companies Act, arising from an act performed in a situation where there is a conflict of interest between the stock company and such director or executive officer (Note 1), shall be excluded from the scope of the limitation of liability under the agreement limiting liability. (Note 2) (Note 3)

(Note 1) The specific wording of the rule shall be subject to further consideration, including from a legislative perspective.

(Note 2) This proposal is premised on the fact that the requirement under current law for the limitation of liability under an agreement limiting liability—namely, "acted in good faith and without gross negligence in performing their duties"—shall also apply to directors who are executive directors, etc. and executive officers.

(Note 3) It is envisaged that rules to the same effect will not be established regarding the rules for partial exemption from liability by a resolution at a shareholders meeting or by a decision of directors, etc., pursuant to the provisions of the articles of incorporation under Article 425 or Article 426 of the Companies Act.

(Endnote) Whether additional measures are necessary to prevent circumvention of the rules shall be subject to further consideration.

Section 3: Streamlining Disclosure in Business Reports, etc., and Annual Securities Reports

Regarding the streamlining of disclosures in business reports, etc., and annual securities reports, the following rules 1 and 2 shall be established.

1. In cases where a listed company submits an annual securities report containing all the particulars to be disclosed in its business reports, etc. (meaning its financial statements, business reports, and consolidated financial statements; the same applies hereinafter) by the electronic provision measures commencement date, it is not required to prepare a business report, etc.
2. In cases where a financial auditor has audited the annual securities report referred to in 1 in accordance with the Financial Instruments and Exchange Act, such audit shall be deemed to have been conducted in accordance with the Companies Act.

(Note) If the proposal referred to in 1 is adopted, it is envisaged that the provisions of the Companies Act concerning business reports, etc. (excluding the provision of 2) will apply to the portions of the annual securities report corresponding to the particulars to be disclosed in the business reports, etc.