

# Act on Book Entry of Corporate Bonds and Shares

(Act No. 75 of June 27, 2001)

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## **Chapter I General Provisions**

(Purpose)

Article 1 The purpose of this Act is to facilitate the distribution of the rights that are required to be indicated on corporate bonds, shares, and other securities by providing for Book-Entry Transfer Transefer Institutions and Account Management Institutions to make book entries for those rights; prescribing a process for making book entries with regard to those rights; providing for Participants Protection Trusts to protect the persons holding those rights; and prescribing other necessary particulars.

(Definitions)

Article 2 (1) The phrase "Bond or Other Security" as used in this Act means any of the following:

- (i) a corporate bond (other than one as set forth in item (xiv); the same applies hereinafter);
- (ii) a Japanese government bond;
- (iii) a local government bond;
- (iv) an investment corporation bond as prescribed in the Act on Investment

- Trusts and Investment Corporations (Act No. 198 of 1951);
- (v) a bond issued by a mutual company as prescribed in the Insurance Business Act (Act No. 105 of 1995);
  - (vi) a specified corporate bond as prescribed in the Act on Securitization of Assets (Act No. 105 of 1998) (other than one as set forth in item (xix) and item (xx); the same applies hereinafter);
  - (vii) a right required to be indicated on a bond certificate issued by a corporation pursuant to a special Act (other than one as set forth in item (i) and item (iv) through (vi); the same applies hereinafter);
  - (viii) a beneficial interest in a domestic or foreign investment trust as prescribed in the Act on Investment Trusts and Investment Corporations;
  - (ix) a beneficial interest in a loan trust as prescribed in the Loan Trust Act (Act No. 195 of 1952);
  - (x) a beneficial interest in a specific purpose trusts as prescribed in the Act on Securitization of Assets;
  - (x)-2 a beneficial interest in a trust issuing beneficiary certificates as prescribed in the Trust Act (Act No. 108 of 2006);
  - (xi) a right required to be indicated on a bond certificate issued by a foreign country or foreign corporation (other than one in the nature of a certificate representing a corporate bond with a share option; the same applies hereinafter);
  - (xii) a share;
  - (xiii) a share option;
  - (xiv) a corporate bond with a share option;
  - (xv) investment equity as prescribed in the Act on Investment Trusts and Investment Corporations;
  - (xvi) a preferred equity investment as prescribed in the Act on Preferred Equity Investment by Cooperative Financial Institutions (Act No. 44 of 1993);
  - (xvii) a preferred equity investment as prescribed in the Act on Securitization of Assets;
  - (xviii) a subscription right for new preferred equity investment as prescribed in the Act on Securitization of Assets;
  - (xix) a convertible specified corporate bond as prescribed in the Act on Securitization of Assets;
  - (xx) a specified corporate bond with subscription rights for new preferred equity investment prescribed in the Act on Securitization of Assets;
  - (xxi) a right required to be indicated on a security or certificate specified by Cabinet Order as set forth in Article 2, paragraph (1), item (xxi) of the Financial Instruments and Exchange Act (Act No. 25 of 1948), which Cabinet Order prescribes as one whose ownership it is appropriate to determine

- based on an entry or record in a book-entry transfer account register.
- (2) The phrase "Book-Entry Transfer Institutions, etc." as used in this Act means a stock company designated by the competent minister pursuant to the provisions of paragraph (1) of the following Article.
  - (3) The phrase "Participant" as used in this Act means a person for which a Book-Entry Transfer Institution, etc. has opened an account in which book entries can be made for Bonds and Other Securities, pursuant to the provisions of Article 12, paragraph (1) or Article 44, paragraph (1) or (2).
  - (4) The phrase "Account Management Institution" as used in this Act means a person that has opened an account under the provisions of Article 44, paragraph (1) or a Book-Entry Transfer Institution as prescribed in paragraph (2) of that Article.
  - (5) The phrase "Book-Entry Transfer Institution, etc." as used in this Act means a Book-Entry Transfer Institution or an Account Management Institution.
  - (6) The phrase "Immediately Superior Institution" as used in this Act means, with respect to a Participant, the Book-Entry Transfer Institution, etc. at which an account has been opened for the Participant.
  - (7) The phrase "Superior Institution" as used in this Act means one of the following:
    - (i) the Immediately Superior Institution;
    - (ii) the Immediately Superior Institution of the Immediately Superior Institution;
    - (iii) the Immediately Superior Institution of a person that, pursuant to the provisions of the preceding item or this item, falls under the category of a Superior Institution.
  - (8) The phrase "Immediately Subordinate Institution" as used in this Act means the Account Management Institution for which a Book-Entry Transfer Institution, etc. has opened an account pursuant to the provisions of Article 12, paragraph (1) or Article 44, paragraph (1) or (2).
  - (9) The phrase "Subordinate Institution" as used in this Act means one of the following:
    - (i) the Immediately Subordinate Institution;
    - (ii) the Immediately Subordinate Institution of the Immediately Subordinate Institution;
    - (iii) the Immediately Subordinate Institution of a person that, pursuant to the provisions of the preceding item or this item, falls under the category of a Subordinate Institution.
  - (10) The phrase "Common Immediately Superior Institution" as used in this Act means the Superior Institution that multiple Participants have in common, if none of its Subordinate Institutions constitute a Superior Institution that all of

those Participants have in common.

- (11) The phrase "Participants Protection Trust" as used in this Act means a trust established pursuant to the provisions of this Act for the purpose of protecting Participants by issuing payments pursuant to the provisions of Article 60 and thus maintaining confidence in the book-entry transfer of Bonds and Other Securities.

## **Chapter II Book-Entry Transfer Transfer Institution, etc.**

### **Section 1 General Rules**

(Designation of Person Engaging in Book-Entry Transfer Services)

Article 3 (1) The competent minister may designate a person meeting the following requirements to engage in the services prescribed in Article 8 in accordance with this Act (hereinafter referred to as the "Book-Entry Transfer Services"), at the application thereof:

- (i) the applicant is a stock company with the following bodies:
  - (a) a board of directors;
  - (b) a board of company auditors or committees (meaning committees as prescribed in Article 2, item (xii) of the Companies Act (Act No. 86 of 2005));
  - (c) an accounting auditor.
- (ii) the applicant does not constitute a person for which it has been less than five years since the day on which a designation as referred to in this paragraph was rescinded pursuant to the provisions of Article 22, paragraph (1);
- (iii) the applicant does not constitute a person that has been sentenced to a fine (or to an equivalent sentence under a foreign law or regulation) for violating this Act or the provisions of a foreign law or regulation equivalent to this Act, and for which it has been less than five years since the day the person finished serving the sentence or ceased to be subject to the enforcement thereof;
- (iv) none of the applicant's directors, accounting advisors, auditors, or executive officers are:
  - (a) an adult ward, a person under curatorship, or a person treated in the same manner under foreign laws and regulations;
  - (b) an undischarged bankrupt or a person treated in the same manner under foreign laws and regulations;
  - (c) a person that has been sentenced to imprisonment or a heavier punishment (or to an equivalent sentence under a foreign law or regulation), if five years have yet to pass since the day the person finished serving the sentence or ceased to be subject to its enforcement;

- (d) a person that was the director, accounting advisor, company auditor, or executive officer of a company (or a person treated in the same manner under foreign laws and regulations; the same applies in sub-item (e)) within thirty days of the rescission of a designation as referred to in this paragraph pursuant to the provisions of Article 22, paragraph (1) or within thirty days of the rescission of an administrative disposition equivalent to a designation as referred to in this paragraph which a company has been granted in a foreign state pursuant to the provisions of any law or regulation of that foreign state which is equivalent to this Act, if five years have yet to pass since the day of rescission;
  - (e) a person falling under the category of a director, accounting advisor, company auditor, or executive officer whose dismissal has been ordered pursuant to the provisions of Article 22, paragraph (1) or the provisions of a foreign law or regulation that is equivalent to this Act, if five years have yet to pass since the day of that disposition;
  - (f) a person that has been sentenced to a fine (or to an equivalent sentence under a foreign law or regulation) for violating this Act, the Companies Act, or the provisions of any foreign law or regulation equivalent thereto, or for committing a crime as referred to in Article 204, 206, 208, 208-3, 222, or 247 of the Penal Code (Act No. 45 of 1907); a crime referred to in the Act on Punishment of Violence (Act No. 60 of 1926); or a crime as referred to in Article 46 to 49 inclusive or Article 50 (limited to the provisions related to item (i)) or Article 51 of the Act to Prevent Illegal Activities by Members of Organized Crime Groups (Act No. 77 of 1991), if five years have yet to pass since the day the person finished serving the sentence or ceased to be subject to its enforcement.
  - (v) the applicant's articles of incorporation and rules for implementing Book-Entry Transfer Services (other than in cases in which Article 44, paragraph (2) is applicable; hereinafter referred to as the "operational rules") conform to laws and regulations and are found to be sufficient for allowing it to perform Book-Entry Transfer Services in an appropriate and reliable manner pursuant to the provisions of this Act;
  - (vi) the applicant has a sufficient financial basis to soundly perform Book-Entry Transfer Services and has good prospects in terms of expected income and expenditures in connection with Book-Entry Transfer Services;
  - (vii) in light of its personnel structure, the applicant is found to have the knowledge and experience to perform Book-Entry Transfer Services in an appropriate and reliable manner and to have sufficient social credibility.
- (2) On making a designation as referred to in the preceding paragraph, the competent minister must issue public notice of the trade name and the locality of the head office of the Book-Entry Transfer Institution designated thereby in

the Official Gazette.

(Applying for Designation)

Article 4 (1) A person seeking a designation under paragraph (1) of the preceding Article must submit a paper application for designation to the competent minister, giving the following information:

- (i) its trade name;
- (ii) the amount of stated capital and net assets;
- (iii) the names and addresses of the head office and other business offices;
- (iv) the names of the directors and auditors (or the directors and executive officers, if the applicant is a company with committees);
- (v) the names of the accounting advisors, if the applicant is a company with accounting advisors;
- (vi) the details of any business other than Book-Entry Transfer Services in which it engages.

(2) The following paper documents must accompany the paper application for designation:

- (i) a document in which the applicant states that it meets the requirements set forth in paragraph (1), items (iii) and (iv) of the preceding Article;
- (ii) the articles of incorporation;
- (iii) the company's certificate of registered information;
- (iv) the operational rules;
- (v) a balance sheet and profit and loss statement;
- (vi) a document giving the expected income and expenditures;
- (vii) documents specified by Ordinance of the Competent Ministry, beyond what is set forth in the preceding items.

(3) In a case as referred to in the preceding paragraph, if the articles of incorporation or the balance sheet have been prepared as an electronic or magnetic record (meaning a record used in computer data processing which is created in electronic form, magnetic form, or any other form that cannot be perceived by the human senses; the same applies hereinafter) or if an electronic or magnetic record has been created for the profit and loss statement in lieu of a paper-based document, an electronic or magnetic record (limited to one as specified by Ordinance of the Competent Ministry) may accompany the application in lieu of a paper document.

(Amount of Stated Capital)

Article 5 (1) The stated capital of a Book-Entry Transfer Institution must be at least the amount prescribed by Cabinet Order.

(2) The amount prescribed by Cabinet Order which is referred to in the preceding paragraph must not be less than five hundred million yen.



(3) The net assets of a Book-Entry Transfer Institution must be at least the amount prescribed by Cabinet Order which is referred to in paragraph (1).

(Change in the Amount of Stated Capital)

Article 6 (1) Before decreasing its stated capital, a Book-Entry Transfer Institution must receive the authorization of the competent minister pursuant to the provisions of Ordinance of the Competent Ministry.

(2) Before increasing its stated capital, a Book-Entry Transfer Institution must notify the competent minister pursuant to the provisions of Ordinance of the Competent Ministry.

(Exclusion from Application)

Article 6-2 The proviso of Article 331, paragraph (2) of the Companies Act (including as applied mutatis mutandis pursuant to Article 335, paragraph (1) of that Act), Article 332, paragraph (2) (including as applied mutatis mutandis pursuant to Article 334, paragraph (1) of that Act), Article 336, paragraph (2) and the proviso of Article 402, paragraph (5) do not apply to a Book-Entry Transfer Institution.

(Duty of Confidentiality)

Article 7 It is prohibited for the director, accounting advisor (or the employee that performs those duties, if the accounting advisor is a corporation), auditor, executive officer, or employee of a Book-Entry Transfer Institution, or a person that has held one of these positions, to divulge or misappropriate any confidential information learned in connection with Book-Entry Transfer Services.

## **Section 2 Operations**

(Operations of Book-Entry Transfer Institution)

Article 8 A Book-Entry Transfer Institution is to conduct operations connected with the book-entry transfer of Bonds and Other Securities in accordance with this Act and its operational rules.

(Restriction on Concurrent Operations)

Article 9 (1) A Book-Entry Transfer Institution may not engage in business other than Book-Entry Transfer Services; provided, however that this does not apply if the Book-Entry Transfer Institution obtains the approval of the competent minister pursuant to the provisions of Ordinance of the Competent Ministry, for business that is related to Book-Entry Transfer Services and that is found to carry no risk of preventing the institution from engaging in Book-Entry

Transfer Services in an appropriate and reliable manner.

- (2) If a Book-Entry Transfer Institution discontinues the for which it has been approved pursuant to the proviso of the preceding paragraph, it must notify the competent minister of this pursuant to the provisions of Ordinance of the Competent Ministry.

(Partial Entrustment of Book-Entry Transfer Services)

Article 10 (1) A Book-Entry Transfer Institution may be approved by the competent minister to entrust another person with a part of its Book-Entry Transfer Services, pursuant to the provisions of Ordinance of the Competent Ministry.

- (2) In the contract in which a Book-Entry Transfer Institution entrusts a person with a part of its Book-Entry Transfer Services pursuant to the provisions of the preceding paragraph, it must include the condition that the party to which it is entrusting the services will not further entrust another person with those services.

(Operational Rules)

Article 11 (1) A Book-Entry Transfer Institution must provide for the following particulars in its operational rules:

- (i) the particulars of the Bonds and Other Securities handled;
- (ii) the particulars of Participant accounts;
- (iii) the particulars of entries or records in the book-entry transfer account register;
- (iv) the particulars of the Book-Entry Transfer Institution's performance of obligations, as a function of the Bonds and Other Securities that it handles, in cases as prescribed in Article 78, paragraph (1) (including as applied mutatis mutandis pursuant to Articles 113, 115, 117, 118, 120, 121, 122, 124, 127, and Article 276, item (i)), Article 103, paragraph (1), Article 107, paragraph (1), Article 127-21, paragraph (1), Article 145, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 179, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)), or Article 210, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv));
- (v) the following particulars as regards any Participant that is an Account Management Institution:
  - (a) the particulars of the agreement between an Account Management Institution and its Participants;

- (b) the particulars of an Account Management Institution's performance of obligations, as a function of the Bonds and Other Securities that it handles, in cases as prescribed in Article 79, paragraph (1) (including as applied mutatis mutandis pursuant to Articles 113, 115, 117, 118, 120, 121, 122, 124, 127, and Article 276, item (i)), Article 104, paragraph (1), Article 108, paragraph (1), Article 127-22, paragraph (1), Article 146, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 180, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)), or Article 211, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1), and Article 276, item (iv));
  - (c) the particulars of the measures to be taken if an Account Management Institution violates a law or regulation, a disposition reached by an administrative agency based on a law or regulation, or the operational rules;
  - (d) the particulars of reporting in the event that an incident as prescribed in Article 19 occurs in an Account Management Institution.
  - (vi) the particulars of Participants' Meetings as prescribed in Article 33;
  - (vii) anything beyond what is set forth in the preceding items which Ordinance of the Competent Ministry prescribes as a particular that is necessary to the implementation of Book-Entry Transfer Services.
- (2) The particulars set forth in item (v), sub-item (a) of the preceding paragraph must include an indication that each Account Management Institution (other than a person as set forth in Article 44, paragraph (1), item (xiii)) extends a joint and several surety to its Participants (other than a person as set forth in Article 44, paragraph (1), item (xiii); a qualified institutional investor as prescribed in Article 2, paragraph (3), item (i) of the Financial Instruments and Exchange Act; the national or local government; or any other person prescribed by Cabinet Order; the same applies hereinafter in this paragraph and in Chapter III) against the performance of all obligations that any Superior Institution (other than one prescribed by Ordinance of the Competent Ministry as a person in respect of which it does not undermine the protection of Participants to have no surety extended) has toward a Participant, as a function of the Bonds and Other Securities that it handles, as prescribed in Article 80, paragraph (2) or Article 81, paragraph (2) (including as applied mutatis mutandis pursuant to Articles 113, 115, 117, 118, 120, 121, 122, 124, 127, and Article 276, item (i)), Article 105, paragraph (2), Article 106, paragraph (2), Article 109, paragraph (3), Article 110, paragraph (3), Article 127-23, paragraph (2), Article 127-24, paragraph (2), Article 147, paragraph (2)

(including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 148, paragraph (2) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 181, paragraph (2) or Article 182, paragraph (2) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)) or Article 212, paragraph (2) or Article 213, paragraph (2) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)).

(Opening of Accounts and Physical Keeping of a Book-Entry Transfer Account Register)

Article 12 (1) A Book-Entry Transfer Institution must open an account for another person in which book entries can be made for Bonds and Other Interests at the request of that person, pursuant to the provisions of its operational rules.

(2) A Book-Entry Transfer Institution may open an account for itself in which book entries can be made for Bonds and Other Securities (hereinafter referred to as an "Institution-Held Account") for the purpose of performing the obligations as referred to in Article 78, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Articles 113, 115, 117, 118, 120, 121, 122, 124, 127, and Article 276, item (i)), Article 103, paragraphs (1) and (3), Article 107, paragraphs (1) and (4), Article 127-21, paragraphs (1) and (3), Article 145, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 179, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)), or Article 210, paragraphs (1) and (4) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)).

(3) A Book-Entry Transfer Institution must prepare and maintain a book-entry transfer account register.

(issuer's Consent)

Article 13 (1) A Book-Entry Transfer Institution may not handle a Bond or Other Security unless the issuer has consented in advance to have its Bond or Other Security handled by the institution.

(2) In a case as referred to in the preceding paragraph, once the issuer has given its consent to a Book-Entry Transfer Institution in respect of a particular type of Bond or Other Security, it must not give its consent to another Book-Entry Transfer Institution with regard to that type of Bond or Other Security.

(3) The issuer may not withdraw the consent referred to in paragraph (1).

(Prohibition on Differential Treatment)

Article 14 A Book-Entry Transfer Institution must not subject any particular Participant or issuer to unfair differential treatment.

### **Section 3 Supervision**

(Preparation and Filing of Books and Documents)

Article 15 A Book-Entry Transfer Institution must prepare and keep on file its business books and documents and other records pursuant to Ordinance of the Competent Ministry.

(Submission of Business and Asset Reports)

Article 16 (1) A Book-Entry Transfer Institution must prepare a paper-based report on its business and assets for each business year and submit it to the competent minister.

(2) Ordinance of the Competent Ministry provides for the information required to be given in the report referred to in the preceding paragraph, the submission date, and other necessary matters.

(Amending the Articles of Incorporation or Operational Rules)

Article 17 An amendment to the articles of incorporation or operational rules of a Book-Entry Transfer Institution does not take effect without the authorization of the competent minister.

(Notification of a Change in Trade Name)

Article 18 (1) If the information set forth in Article 4, paragraph (1), item (i) or item (iii) to item (v) changes, the Book-Entry Transfer Institution must notify the competent minister of this and file the paper documents set forth in paragraph (2), item (i) or item (iii) of that Article with the competent minister pursuant to the provisions of Ordinance of the Competent Ministry.

(2) On being notified of a change in the trade name of a Book-Entry Transfer Institution or the locality of its head office, the competent minister must issue public notice of this in the Official Gazette.

(Incident Reports)

Article 19 In a case as referred to in Article 78, paragraph (1) (including as applied mutatis mutandis pursuant to Articles 113, 115, 117, 118, 120, 121, 122, 124, 127, and Article 276, item (i)), Article 103, paragraph (1), Article 107, paragraph (1), Article 127-21, paragraph (1), Article 145, paragraph (1)

(including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 179, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)), or Article 210, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); in the event that an incident as prescribed by Ordinance of the Competent Ministry occurs; in a case as referred to in Article 79, paragraph (1) (including as applied mutatis mutandis pursuant to Articles 113, 115, 117, 118, 120, 121, 122, 124, 127 and Article 276, item (i)), Article 104, paragraph (1), Article 108, paragraph (1), Article 146, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 180, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)), or Article 211, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); or in the event that an incident as prescribed by Ordinance of the Competent Ministry occurs in a Subordinate Institution, a Book-Entry Transfer Institution must notify the competent minister of this pursuant to the provisions of Ordinance of the Competent Ministry.

(Reports and Inspections)

- Article 20 (1) If the competent minister finds it to be necessary for the appropriate and reliable performance of Book-Entry Transfer Services, the minister may order a Book-Entry Transfer Institution to make reports or submit materials relevant to its business or assets; may have the relevant officials enter the business office of the Book-Entry Transfer Institution and inspect the state of its business or assets, books and documents, or other articles; and may have those officials question persons concerned.
- (2) An official conducting an on-site inspection pursuant to the provisions of the preceding paragraph must carry identification and present it to persons concerned.
- (3) The authority for an on-site inspection under the provisions of paragraph (1) must not be construed as authorizing a criminal investigation.

(Business Improvement Order)

Article 21 Upon finding there to be a need do so for the appropriate and reliable performance of Book-Entry Transfer Services, the competent minister, within the scope of this necessity, may order a Book-Entry Transfer Institution to take the necessary measures to improve the state of its business operations or its assets.

(Rescission of Designation)

Article 22 (1) If a Book-Entry Transfer Institution falls under one of the following items, the competent minister may rescind an Article 3, paragraph (1) designation or an approval as referred to in the proviso of Article 9, paragraph (1); order the suspension of all or part of its business activities during a fixed period of no longer than six months; or order the dismissal of a director, accounting advisor, company auditor, or executive officer:

- (i) it comes to no longer satisfy a requirement set forth in Article 3, paragraph (1), item (iii) or (iv);
- (ii) it is discovered not to have fallen under one of the items of Article 3, paragraph (1) at the time of the Article 3, paragraph (1) designation;
- (iii) it is discovered to have obtained an Article 3, paragraph (1) designation by wrongful means;
- (iv) it violates this Act, a law or regulation based on this Act, or a disposition based on any of these.

(2) On rescinding an Article 3, paragraph (1) designation pursuant to the provisions of the preceding paragraph, the competent minister must issue public notice of this in the Official Gazette.

(Business Transfer Order)

Article 23 If a Book-Entry Transfer Institution falls under one of the following items, the competent minister may order the Book-Entry Transfer Institution to transfer Book-Entry Transfer Services to another stock company (except as prescribed in Article 44, paragraph (2); hereinafter the same applies in Article 42):

- (i) its Article 3, paragraph (1) designation is rescinded pursuant to the provisions of paragraph (1) of the preceding Article;
- (ii) it discontinues Book-Entry Transfer Services;
- (iii) it undergoes a dissolution (or a judgment invalidating its incorporation or a merger or incorporation-type company split involving it becomes final and binding);
- (iv) it is found to be likely for circumstances to occur in which the institution will be unable to pay a debt that is due without substantially compromising the continuation of Book-Entry Transfer Services, or for a fact to occur that will cause the commencement of bankruptcy proceedings.

(Special Provisions on a Special Resolution at a Shareholders Meeting  
Incidental to a Business Transfer Order)

Article 24 (1) Notwithstanding Article 309, paragraph (2) and Article 324, paragraph (2) of the Companies Act, a resolution as under Article 322,

paragraph (1), Article 466, Article 467, paragraph (1), Article 783, paragraph (1), or Article 795, paragraph (1) of that Act (other than a resolution at a shareholders meeting as referred to in Article 309, paragraph (3), item (ii) of that Act, for a resolution as under Article 783, paragraph (1) of that Act) at a Book-Entry Transfer Institution that is subject to an order under the preceding Article (hereinafter referred to as the "specified book-entry transfer institution" in the following paragraph) may be provisionally adopted by at least a two-thirds majority vote of attending shareholders.

- (2) Notwithstanding Article 309, paragraph (3) of the Companies Act, a resolution at a shareholders meeting as referred to in Article 309, paragraph (3), item (ii) of that Act at a specified book-entry transfer institution may be provisionally adopted by at least a two-thirds majority vote of attending shareholders, if those votes are cast by the majority of the shareholders in attendance.
- (3) If a resolution is provisionally adopted pursuant to the provisions of paragraph (1) (hereinafter this is referred to as a "provisional resolution" in this and the following paragraphs), the Book-Entry Transfer Institution must notify each of the shareholders of the purport of the provisional resolution and call a shareholders meeting again within one month after the date of the provisional resolution.
- (4) If a provisional resolution adopted by a majority vote as prescribed in paragraph (1) is approved at a shareholders meeting as referred to in the preceding paragraph, a resolution is deemed to have been adopted with regard to the matter subject to the provisional resolution.
- (5) The provisions of the preceding two paragraphs apply mutatis mutandis to a resolution adopted provisionally pursuant to the provisions of paragraph (2). This being the case, the phrase "paragraph (1)" in the preceding paragraph is deemed to be replaced with the phrase "paragraph (2)".

#### **Section 4 Mergers, Company Splits, and Business Transfers**

(Approval for Specified Merger)

Article 25 (1) A merger to which Book-Entry Transfer Institution constitute all or some of the parties (but only if the stock company surviving the merger or the stock company incorporated in the merger engages in Book-Entry Transfer Services; hereinafter referred to as a "specified merger" in this and the following Article) does not take effect without the authorization of the competent minister.

- (2) A Book-Entry Transfer Institution seeking the authorization referred to in the preceding paragraph must submit a paper application for merger authorization to the competent minister, giving the information set forth in the



items of Article 4, paragraph (1) with respect to the stock company surviving or incorporated in the specified merger (hereinafter referred to in this Article as the "book-entry transfer institution after specified merger").

- (3) Paper-based documents giving the details of the merger agreement or electronic or magnetic records in which such details have been recorded (limited to those as specified by Ordinance of the Competent Ministry; hereinafter the same applies in this paragraph) and the paper-based documents or electronic or magnetic records prescribed by Ordinance of the Competent Ministry must accompany an application for merger authorization.
- (4) If an application is filed for the authorization referred to in paragraph (1), the competent minister must examine whether the application conforms to the following criteria:
  - (i) the book-entry transfer institution after specified merger satisfies the requirements set forth in the items of Article 3, paragraph (1); and
  - (ii) there is a sound expectation of Book-Entry Transfer Services being succeeded to in a smooth and appropriate manner.
- (5) A book-entry transfer institution after specified merger (other than if the Book-Entry Transfer Institution is a stock company surviving the specified merger) is deemed to have obtained an Article 3, paragraph (1) designation at the time of the specified merger.
- (6) A book-entry transfer institution after specified merger succeeds to the rights and obligations that any Book-Entry Transfer Institution disappearing in the specified merger holds in connection with its business based on the authorization or other disposition of an administrative agency.

#### (Participants' Approval for Specified Mergers)

Article 26 Before effecting a specified merger, a Book-Entry Transfer Institution must obtain the approval of the Participants, in addition to approval at a shareholders meeting as referred to Article 783, paragraph (1), Article 795, paragraph (1) or Article 804, paragraph (1) of the Companies Act.

#### (Approval for Incorporation-type Company Split)

Article 27 (1) An incorporation-type company split that a Book-Entry Transfer Institution effects in order to have a newly established stock company assume all or some of its Book-Entry Transfer Services (hereinafter referred to by the simplified term "incorporation-type company split" in this and the following Article) does not take effect without the authorization of the competent minister.

- (2) A Book-Entry Transfer Institution seeking the authorization referred to in the preceding paragraph must submit a paper application for authorization for an incorporation-type company split to the competent minister, giving the

following information about the stock company that will be incorporated in the incorporation-type company split (hereinafter referred to as the "company being incorporated" in this Article):

- (i) the information set forth in the items of Article 4, paragraph (1);
  - (ii) the Book-Entry Transfer Services to which the company being incorporated will succeed.
- (3) Paper-based documents giving the details of the incorporation-type company split plan or electronic or magnetic records in which such details have been recorded (limited to those specified by Ordinance of the Competent Ministry hereinafter the same applies in this paragraph) and the paper-based documents or electronic or magnetic records specified by Ordinance of the Competent Ministry must accompany an application for authorization of an incorporation-type company split
- (4) If an application is filed for the authorization referred to in paragraph (1), the competent minister must examine whether the application conforms to the following criteria:
- (i) the company being incorporated satisfies the requirements set forth in Article 3, paragraph (1), item (i) and items (iv) to (vii); and
  - (ii) there is a sound expectation of Book-Entry Transfer Services being succeeded to in a smooth and appropriate manner.
- (5) The company being incorporated is deemed to have obtained an Article 3, paragraph (1) designation at the time of incorporation-type company split.
- (6) The company being incorporated succeeds to the rights and obligations that the Book-Entry Transfer Institution undergoing the incorporation-type company split holds, in connection with the business subject to the succession, based on the authorization or other disposition of an administrative agency.

(Participants' Approval for Incorporation-type Company Splits)

Article 28 Before effecting an incorporation-type company split, a Book-Entry Transfer Institution must obtain the approval of the Participants, in addition to approval at a shareholders meeting as referred to in Article 804, paragraph (1) of the Companies Act.

(Approval for Absorption-type Company Splits)

Article 29 (1) An absorption-type company split that a Book-Entry Transfer Institution effects in order to have another stock company assume all or some of its Book-Entry Transfer Services (hereinafter referred to by the simplified term "absorption-type company split" in this and the following Article) does not take effect without the authorization of the competent minister.

(2) A Book-Entry Transfer Institution seeking the authorization referred to in the preceding paragraph must submit a paper application for authorization for

an absorption-type company split to the competent minister, giving the following information about the stock company that will succeed to all or some of the Book-Entry Transfer Services in the absorption-type company split (hereinafter referred to as the "succeeding company" in this Article):

- (i) the information set forth in the items of Article 4, paragraph (1);
  - (ii) the Book-Entry Transfer Services to which the succeeding company will succeed.
- (3) Paper-based documents giving the details of the absorption-type company split agreement or electronic or magnetic records in which such details have been recorded (limited to those as specified by Ordinance of the Competent Ministry; hereinafter the same applies in this paragraph) and the paper-based documents or electronic or magnetic records specified by Ordinance of the Competent Ministry must accompany an application for authorization of an absorption-type company split.
- (4) If an application is filed for the authorization referred to in paragraph (1), the competent minister must examine whether the application conforms to the following criteria:
- (i) the succeeding company satisfies the requirements set forth in the items of Article 3, paragraph (1); and
  - (ii) there is a sound expectation of Book-Entry Transfer Services being succeeded to in a smooth and appropriate manner.
- (5) A succeeding company is deemed to have obtained an Article 3, paragraph (1) designation at the time of the absorption-type company split (unless a Book-Entry Transfer Institution is the succeeding company).
- (6) The succeeding company succeeds to the rights and obligations that the Book-Entry Transfer Institution undergoing the absorption-type company split holds, in connection with the business subject to the succession, based on the authorization or other disposition of an administrative agency.

(Participants' Approval for Absorption-type Company Split)

Article 30 Before effecting an absorption-type company split, a Book-Entry Transfer Institution must obtain the approval of the Participants, in addition to approval at a shareholders meeting as referred to in Article 783, paragraph (1) or Article 795, paragraph (1) of the Companies Act.

(Approval for Business Transfer)

Article 31 (1) A Book-Entry Transfer Institution's transfer of all or some of the Book-Entry Transfer Services it provides to another stock company (hereinafter referred to as a "business transfer" in this and the following Article) does not take effect without the authorization of the competent minister.

- (2) A Book-Entry Transfer Institution seeking the authorization referred to in the preceding paragraph must submit a paper application for authorization for a business transfer to the competent minister, giving the following information about the stock company that will succeed to all or some of the Book-Entry Transfer Services in the business transfer (hereinafter referred to as the "transferee company" in this Article):
  - (i) the information set forth in the items of Article 4, paragraph (1); and
  - (ii) the Book-Entry Transfer Services to which the transferee company will succeed.
- (3) Paper-based documents giving the details of the business transfer agreement or electronic or magnetic records in which such details have been recorded (limited to those as specified by Ordinance of the Competent Ministry; hereinafter the same applies in this paragraph) and the paper-based documents or electronic or magnetic records specified by Ordinance of the Competent Ministry must accompany an application for authorization of a business transfer.
- (4) If an application is filed for the authorization referred to in paragraph (1), the competent minister must examine whether the application conforms to the following criteria:
  - (i) the transferee company satisfies the requirements set forth in the items of Article 3, paragraph (1); and
  - (ii) there is a sound expectation of Book-Entry Transfer Services being succeeded to in a smooth and appropriate manner.
- (5) A transferee company is deemed to have obtained an Article 3, paragraph (1) designation at the time of business transfer (unless a Book-Entry Transfer Institution is the transferee company).
- (6) The transferee company succeeds to the rights and obligations that the Book-Entry Transfer Institution effecting the business transfer holds, in connection with the business subject to the transfer, based on the authorization or other disposition of an administrative agency, and also succeeds to the rights and obligations connected with the consent of the issuer as referred to in Article 13, paragraph (1).
- (7) A Participant account that a Book-Entry Transfer Institution effecting a business transfer has opened is deemed to be a Participant account that the transferee company has opened.

(Participants' Approval for Business Transfer)

Article 32 Before effecting a business transfer, a Book-Entry Transfer Institution must obtain the approval of the Participants, in addition to approval at a shareholders meeting as referred to in Article 467, paragraph (1) of the Companies Act.

## Section 5 Participants' Meetings

(Matters for Resolution)

Article 33 The Participants' approval as referred to in Article 26, 28, 30 or the preceding Article must be based on a resolution passed at a meeting of Participants (hereinafter referred to as a "Participants' Meeting").

(Convener)

Article 34 (1) A Book-Entry Transfer Institution convenes a Participants' Meeting.

(2) To convene a Participants' Meeting, a paper-based document must be used to issue notice to convene to each Participant by two weeks prior to the date of the meeting.

(3) In lieu of using a paper-based document to issue notice as prescribed in the preceding paragraph, a Book-Entry Transfer Institution may issue notice by electronic or magnetic means (meaning by using an electronic data processing system or employing other information communications technology in the manner specified by Ordinance of the Competent Ministry; the same applies hereinafter), pursuant to Ordinance of the Competent Ministry, with the approval of the Participants. In doing so, the Book-Entry Transfer Institution is deemed to have issued the notice under that paragraph.

(4) The notice referred to in the preceding two paragraphs must give an indication or include a record of the matter that constitutes the purpose of the meeting and a summary of the proposals.

(Participants' Voting Rights)

Article 35 Unless otherwise prescribed in the operational rules, all Participants' voting rights are equal.

(Voting by Electronic or Magnetic Means)

Article 36 (1) A Participant not attending a Participants' Meeting may vote by electronic or magnetic means pursuant to the provisions of the operational rules.

(2) At the time of the issuance of the notice prescribed in Article 34, paragraph (2), the Book-Entry Transfer Institution must issue a paper document giving the information specified by Ordinance of the Competent Ministry as information of reference with regard to voting by electronic or magnetic means.

(3) If a Book-Entry Transfer Institution issues a notice under Article 34, paragraph (3) by electronic or magnetic means to Participants that have given the approval referred to in that paragraph, it may provide them with the

information that it is required to give in the paper document referred to in the preceding paragraph by electronic or magnetic means, together with that notice; provided, however, that if requested by a Participant, the Book-Entry Transfer Institution must issue that Participant the paper document referred to in that paragraph.

- (4) The provisions of Article 302, paragraphs (3) and (4) and Article 312 of the Companies Act apply mutatis mutandis to voting by electronic or magnetic means as referred to in paragraph (1) for a Participants' Meeting. In such a case, the phrase "Article 299, paragraph (3)" is deemed to be replaced with "Article 34, paragraph (3) of the Act on Book-Entry Transfer of Corporate Bonds and Shares"; the phrase "Ordinance of the Ministry of Justice" is deemed to be replaced with "Ordinance of the Competent Ministry"; the phrase "information that is required to be detailed in the voting forms" is deemed to be replaced with "information specified by Ordinance of the Competent Ministry as the necessary information that will allow the Participants to vote"; the phrase "stock company" is deemed to be replaced with "Book-Entry Transfer Institution"; the phrase "In the case provided for in paragraph (1)...the directors" in Article 302, paragraph (3) of said Act is deemed to be replaced with "the Book-Entry Transfer Institution", the phrase "In the case provided for in paragraph (1) [...] the directors" in paragraph (4) of that Article is deemed to be replaced with "[...] a Book-Entry Transfer Institution"; and the phrase "Cabinet Order" in Article 312, paragraph (1) of that Act is deemed to be replaced with "Ordinance of the Competent Ministry".

(Manner in Which Resolutions Are Passed)

Article 37 A resolution at a Participants' Meeting is passed by the majority vote of the Participants in attendance.

(Deemed Agreement)

Article 38 (1) In the operational rules, a Book-Entry Transfer Institution may provide that a Participant is deemed to consent to a proposal submitted at a Participants' Meeting if that Participant neither attends the Participants' Meeting nor votes.

- (2) A Book-Entry Transfer Institution that has made the provisions referred to in the preceding paragraph must mention or include a record of that provisions in the notice under Article 34, paragraph (2).
- (3) The votes of Participants that are deemed to consent to a proposal pursuant to the provisions of paragraph (1) are included in the reckoning of the number of votes held by Participants attending a Participants' Meeting.

(Mutatis Mutandis Application of the Companies Act to Participants' Meetings)

Article 39 The provisions of Article 310, paragraphs (1) to (4) inclusive, Articles 314, 315 and 317, Article 729, paragraph (2), Articles 731 to 735 inclusive, Article 742, paragraph (1), Article 868, paragraph (3), Article 870, paragraph (1) (limited to the provisions related to item (vii)), Article 871 main clause, Article 872 (limited to the provisions related to item (iv)), Article 873 main clause, Articles 875 and 876, Article 940, paragraph (1) (limited to the part set forth in item (i)) and paragraph (3) of the Companies Act apply mutatis mutandis to a Participants' Meeting. In such a case, the terms "stock company", "bond-issuing company", and "stock company or membership company" in these provisions are deemed to be replaced with "Book-Entry Transfer Institution"; the phrase "Ordinance of the Ministry of Justice" therein is deemed to be replaced with "Ordinance of the Competent Ministry"; the phrase "Cabinet Order" in Article 310, paragraph (3) of that Act is deemed to be replaced with "Ordinance of the Competent Ministry"; the phrase "Article 299, paragraph (3)" in paragraph (4) of that Article is deemed to be replaced with "Article 34, paragraph (3) of the Act on Book-Entry Transfer of Corporate Bonds and Shares"; the phrase "a director, an accounting advisor, a company auditor, or an executive officer" in Article 314 of that Act is deemed to be replaced with "a Book-Entry Transfer Institution"; the phrase "Articles 298 and 299" in Article 317 of that Act is deemed to be replaced with "Article 34, paragraphs (2) to (4) inclusive of the Act on Book-Entry Transfer of Corporate Bonds and Shares"; the phrase "bondholders or conveners" in Article 729, paragraph (2) of that Act is deemed to be replaced with "Participants' Meeting"; the phrase "The bond manager and bondholders" in Article 731, paragraph (3) of that Act is deemed to be replaced with "Participants"; the phrase "the matters stated or recorded in the materials used for explaining the business of the Bond-Issuing Company or other matters regarding the solicitation in Article 676" in Article 733, item (i) of that Act is deemed to be replaced with "operational rules"; the phrase "Bond-Issuing Company" in Article 868, paragraph (3) is deemed to be replaced with "Book-Entry Transfer Institution"; the phrase "this Act" in Article 940, paragraph (1) (limited to what is set forth in item (i)) of that Act is deemed to be replaced with "the Act on Book-Entry Transfer of Corporate Bonds and Shares"; the phrase "the preceding two paragraphs" in paragraph (3) of that Article is deemed to be replaced with "paragraph (1)"; the phrase "these provisions" in that paragraph is deemed to be replaced with "the provisions of that paragraph"; and the phrase "Company" in items (i) and (iii) of that paragraph is deemed to be replaced with "Book-Entry Transfer Institution".

## **Section 6 Dissolution**

(Approval for Dissolution)

Article 40 The following actions do not take effect without the authorization of the competent minister.

- (i) a resolution at a shareholders meeting for the dissolution of a Book-Entry Transfer Institution.
- (ii) a merger to which Book-Entry Transfer Institution constitute all or some of the parties (but only if the stock company surviving the merger or the stock company incorporated in the merger does not conduct Book-Entry Transfer Services).

(Lapse of Designation)

Article 41 (1) If a Book-Entry Transfer Institution falls under one of the following items, its Article 3, paragraph (1) designation ceases to be effective:

- (i) it discontinues Book-Entry Transfer Services;
  - (ii) it undergoes a dissolution (or a judgment invalidating its incorporation or a merger or incorporation-type company split involving it becomes final and binding).
- (2) If a designation ceases to be effective pursuant to the provisions of the preceding paragraph, the former Book-Entry Transfer Institution or its general successor (but only a person that has succeeded to the rights and obligations of a Book-Entry Transfer Institution disappearing in a merger, but that does not engage in Book-Entry Transfer Services; the same applies in the following Article) must notify the competent minister of this pursuant to the provisions of Ordinance of the Competent Ministry.
- (3) On being submitted a notification under the provisions of the preceding paragraph, the competent minister must issue public notice of this in the Official Gazette.

(Deemed Book-Entry Transfer Institution If a Designation Is Rescinded)

Article 42 If the Article 3, paragraph (1) designation of a Book-Entry Transfer Institution is rescinded pursuant to the provisions of Article 22, paragraph (1) or ceases to be effective pursuant to the provisions of paragraph (1) of the preceding Article, the former Book-Entry Transfer Institution or its general successor must promptly discontinue the Book-Entry Transfer Services in which the Book-Entry Transfer Institution engaged. In such a case, the former Book-Entry Transfer Institution or its general successor is deemed to be a Book-Entry Transfer Institution inasmuch as the task of completing Book-Entry Transfer Services is concerned.

(Opinion of the Competent Minister in the Liquidation Process)

Article 43 (1) In a liquidation, bankruptcy proceedings, a rehabilitation, reorganization, or recognition and assistance proceedings, the court may



request the opinion of or an inspection or investigation by the competent minister.

- (2) On finding it to be necessary to do so, the competent minister may state an opinion to the court during a process as prescribed in the preceding paragraph.
- (3) The provisions of Article 20 apply mutatis mutandis if the competent minister is requested by the court to implement an inspection or investigation pursuant to the provisions of paragraph (1).

## **Section 7 Account Management Institutions**

(Opening of Accounts of an Account Management Institution)

Article 44 (1) A person as set forth below may open an account for another person in which book entries can be made for Bonds and Other Securities at the request of that person, in accordance with the provisions of this Act and the operational rules of the Book-Entry Transfer Institution. To do so, the person must have an account opened for it in advance by that Book-Entry Transfer Institution or by another Account Management Institution connected with that Book-Entry Transfer Institution (other than one specified by Ordinance of the Competent Ministry), in which book entries can be made for Bonds and Other Securities:

- (i) a financial instruments business operator as prescribed in Article 2, paragraph (9) of the Financial Instruments and Exchange Act (limited to a person performing type I financial instruments business as prescribed in Article 28, paragraph (1) of that Act);
- (ii) a bank as prescribed in Article 2, paragraph (1) of the Banking Act (Act No. 59 of 1981) (including branches licensed by the prime minister as referred to in Article 4, paragraph (1) of that Act pursuant to the provisions of Article 47, paragraph (1) of that Act);
- (iii) a long-term credit bank as prescribed in Article 2 of the Long-Term Credit Bank Act (Act No. 187 of 1952);
- (iv) a trust company;
- (v) the Shoko Chukin Bank, Ltd.;
- (vi) the Norinchukin Bank;
- (vii) an agricultural cooperative and federation of agricultural cooperatives engaged in business referred to in Article 10, paragraph (1), item (iii) of the Agricultural Cooperatives Act (Act No. 132 of 1947);
- (viii) a fisheries cooperative engaged in business referred to in Article 11, paragraph (1), item (iv) of the Fisheries Cooperatives Act (Act No. 242 of 1948); a federation of fisheries cooperatives engaged in business referred to in Article 87, paragraph (1), item (iv) of that Act; fishery-product processing cooperative engaged in business referred to in Article 93, paragraph (1), item

- (ii) of that Act; or a federation of fishery-product processing cooperatives engaged in business referred to in Article 97, paragraph (1), item (ii) of that Act;
  - (ix) a credit cooperative or a federation of cooperatives engaged in business referred to in Article 9-9, paragraph (1), item (i) of the Small and Medium Sized Enterprise Cooperatives Act (Act No. 181 of 1949);
  - (x) a Shinkin Bank and federation of Shinkin Banks;
  - (xi) a Labor Bank and federation of Labor Banks;
  - (xii) a person other than as set forth in the preceding items, that is permitted to manage another person's Bonds or Other Securities in the course of trade pursuant to Japanese laws and regulations, as specified by Ordinance of the Competent Ministry;
  - (xiii) a person licensed or registered or subject to a similar disposition in a foreign state pursuant to foreign laws and regulations, to manage another person's Bonds or Other Securities or rights similar to Bonds or Other Securities in that foreign state, as designated by the competent minister.
- (2) If a first Book-Entry Transfer Institution opens an account for another person in which book entries can be made for Bonds and Other Securities at the request of that person pursuant to the provisions of the operational rules of a second Book-Entry Transfer Institution, the first Book-Entry Transfer Institution must have the second Book-Entry Transfer Institution or an Account Management Institution connected with it (other than one as specified by Ordinance of the Competent Ministry) open an account for it in advance in which book entries can be made for Bonds and Other Securities.

(Services of Account Management Institutions)

Article 45 (1) An Account Management Institution is to engage in Book-Entry Transfer Services as an Account Management Institution pursuant to the provisions of this Act and the operational rules of the Book-Entry Transfer Institutions that constitute its Superior Institutions.

(2) An Account Management Institution must prepare and maintain a book-entry transfer account register.

(Mutatis Mutandis Application)

Article 46 The provisions of Article 14 apply mutatis mutandis to an Account Management Institution and the provisions of Article 42 apply if an Account Management Institution ceases to be a person as set forth in any item of Article 44, paragraph (1).

## **Section 8 Special Provisions Applicable If the Bank of Japan Engages in Book-Entry Transfer Services**

(Special Provisions Applicable If the Bank of Japan Engages in Book-Entry Transfer Services for Book Entry Transfer of Japanese Government Bonds)

Article 47 (1) Notwithstanding the provisions of Article 3, paragraph (1), if the Bank of Japan meets the following requirements, the competent minister may designate it to engage in Book-Entry Transfer Services (but only Book-Entry Transfer Services for Japanese government bonds; hereinafter the same applies in this paragraph to Article 50 inclusive) upon its application and pursuant to the provisions of this Act:

- (i) if it has had its designation under this paragraph rescinded pursuant to the provisions of Article 22, paragraph (1) as applied following a deemed replacement of terms pursuant to the following Article, it has been at least five years since the day of the rescission;
  - (ii) if it has been sentenced to a fine for violating this Act and has finished serving the sentence or ceased to be subject to the enforcement thereof, it has gone five years since the day on which it finished serving the sentence or ceased to be subject to its enforcement;
  - (iii) the provisions of its operational rules conform to laws and regulations and are found to be sufficient for allowing it to perform Book-Entry Transfer Services in an appropriate and reliable manner pursuant to the provisions of this Act;
  - (iv) in light of its personnel structure, it is found to have the knowledge and experience to perform Book-Entry Transfer Services in an appropriate and reliable manner.
- (2) On making a designation as referred to in the preceding paragraph, the competent minister must issue public notice of this in the Official Gazette.
- (3) The provisions of Article 4, paragraph (1) (excluding items (ii) and (iv) to (vi) inclusive) and paragraph (2) (excluding items (ii), (v) and (vi)) apply mutatis mutandis to the Bank of Japan if it seeks the designation referred to in paragraph (1). In such a case, the phrase "trade name" in paragraph (1), item (i) of that Article is deemed to be replaced with "name", the phrase "paragraph (1), items (iii) and (iv) of the preceding Article" in paragraph (2), item (i) of that Article is deemed to be replaced with "Article 47, paragraph (1), item (ii)" and the phrase "the company's certificate of registered information" in item (iii) of that paragraph is deemed to be replaced with "its certificate of registered information".

Article 48 If the Bank of Japan is designated as referred to in paragraph (1) of the preceding Article, it is deemed to be a Book-Entry Transfer Institution and the provisions of this Act (excluding Articles 5 to 7 inclusive, Article 9, Article 20, paragraphs (2) and (3), Article 23, items (iii) and (iv), Articles 24 to 30

inclusive, Article 40, Article 41, paragraph (1), item (ii), Article 43, the following Article, Article 50, Chapter IV and Chapters VI to XII inclusive and Articles 1 to 10 inclusive, Articles 12 to 18 inclusive and Articles 27 to 42 inclusive of the Supplementary Provisions and the punishments concerning these provisions) apply. In such a case, the words set forth in the right-hand column of the following table are deemed to stand in place of the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 8	business	business (but only that which involves Japanese government bonds)
Article 12, paragraph (2)	for itself in which book entries can be made for Bonds and Other Securities (hereinafter referred to as an "Institution-Held Account") for the purpose of performing the obligations as referred to in Article 78, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Articles 113, 115, 117, 118, 120, 121, 122, 124, 127, and Article 276, item (i)), Article 103, paragraphs (1) and (3), Article 107, paragraphs (1) and (4), Article 127-21, paragraphs (1) and (3), Article 145, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276, item (ii)), Article 179, paragraphs (1) and (3) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)), or Article 210, paragraphs (1) and (4) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv))	for itself

Article 16, paragraph (1)	business and assets	business
Article 17	the articles of incorporation or operational rules	operational rules
Article 18, paragraph (1)	Article 4, paragraph (1), item (i) or items (iii) to (v) inclusive	Article 4, paragraph (1), item (i) or item (iii) as applied mutatis mutandis pursuant to Article 47, paragraph (3)
	paragraph (2), item (i) or item (iii) of the same Article	Article 4, paragraph (2), item (iii) as applied mutatis mutandis pursuant to Article 47, paragraph (3)
Article 18, paragraph (2)	trade name	name
Article 20, paragraph (1)	order a Book-Entry Transfer Institution to make reports or submit materials relevant to its business or assets; may have the relevant officials enter the business office of the Book-Entry Transfer Institution and inspect the state of its business or assets, books and documents, or other articles; and may have those officials question persons concerned	order a Book-Entry Transfer Institution to make reports or submit materials relevant to its business
Article 21	the state of its business operations or its assets	its business operations
Article 22, paragraph (1)	rescind an Article 3, paragraph (1) designation or an approval as referred to in the proviso of Article 9, paragraph (1); order the suspension of all or part of its business activities during a fixed period of no longer than six months; or order the dismissal of a director, accounting advisor, company auditor, or executive officer	rescind an Article 47, paragraph (1) designation or order the suspension of all or part of its business activities during a fixed period of no longer than six months
Article 22, paragraph (1), item (i)	Article 3, paragraph (1), item (iii) or (iv)	Article 47, paragraph (1), item (ii)

Article 22, paragraph (1), items (ii) and (iii), and paragraph (2), and Article 23, item (i)	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 32	the approval of the Participants, in addition to approval at a shareholders meeting as referred to in Article 467, paragraph (1) of the Companies Act	the approval of the Participants
Article 41, paragraph (1)	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 41, paragraph (2)	the former Book-Entry Institution or its general successor (but only a person that has succeeded to the rights and obligations of a Book-Entry Transfer Institution disappearing in a merger, but that does not engage in Book-Entry Services; the same applies in the following Article)	the former Book-Entry Transfer Institution
Article 42	Article 3, paragraph (1)	Article 47, paragraph (1)
	the former Book-Entry Transfer Institution or its general successor	the former Book-Entry Transfer Institution
Article 51, paragraph (1)	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 58	Article 69, paragraph (2)	Article 95, paragraphs (9) and (10) (including as applied mutatis mutandis pursuant to paragraph (11) of the same Article) as after the deemed replacement of terms under Article 48, Article 69, paragraph (2)
Article 89, paragraph (2)	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 90, paragraph (1)	a person may apply	a person may apply or decide

Article 91, paragraph (5)	(ii) the amount of Book-Entry Transfer JGBs, by issue;	(ii) the amount of Book-Entry Transfer JGBs, by issue (other than as set forth in the following item); (ii)-2 that the Book-Entry Transfer Institution in question is a pledgee, if this is the case; and the amount of Book-Entry Transfer JGBs that have been pledged thereto, by issue;
Article 92, paragraph (1)	Participant	Participant and Book-Entry Transfer Institution
Article 92, paragraph (2)	(i) create an entry or record showing an increase equal to the amount referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph, if the Book-Entry Transfer Institution is the one that opened the account referred to item (iii) of the preceding paragraph, in the column of the account where the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);	(i) create an entry or record showing an increase equal to the amount referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph, if the Book-Entry Transfer Institution is the one that opened the account referred to item (iii) of the preceding paragraph, in the column of the account (this excludes the Institution-Held Account) where the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);

		(i)-2 create an entry or record showing an increase equal to the amount referred to in item (iv) of the preceding paragraph in the column where the information set forth in paragraph (5), item (ii) of the preceding Article, as after the deemed replacement of terms under Article 48, is entered or recorded in the Institution-Held Account, if the Book-Entry Transfer Institution is the one that acquired those Book-Entry Transfer JGBs;
Article 92, paragraph (3)	provisions of the preceding paragraph	provisions of the preceding paragraph (excluding the provisions of item (i)-2)
Article 93, paragraph (1)	of a particular issue,	of a particular issue, or on deciding to Strip a Bond pursuant to the provisions of Article 93, paragraph (8), as after the deemed replacement of terms under Article 48,
	and as indicated in the application pursuant to the provisions of paragraph (4)	and as indicated in the application pursuant to the provisions of paragraph (4); or pursuant to the provisions of Article 93, paragraph (8) as applied after a replacement of terms pursuant to the provisions of Article 48 and as indicated in the decision
Article 93, paragraph (7)	(7) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.	(7) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.



		<p>(8) On reaching a decision to Strip a specific amount of strippable book-entry transfer JGBs of a particular issue which have been entered or recorded in the column of the Institution-Held Account in which the information set forth in Article 91, paragraph (5), item (ii), as after the deemed replacement of terms under Article 48, is entered or recorded, a Book-Entry Transfer Institution must immediately create an entry or record showing a reduction equal to the specific amount of the strippable book-entry transfer JGBs of that particular issue which have been entered or recorded in the column where the information set forth in that item is entered or recorded; create an entry or record showing an increase equal to the amount of the Book-Entry JGBs that constitute the principal portion of those strippable book-entry JGBs; and create an entry or record showing an increase equal to each of the amounts of strippable book-entry transfer JGB interest from the Book-Entry Transfer JGBs that constitute the interest portion of those strippable book-entry JGBs.</p>
<p>Article 94, paragraph (1)</p>	<p>of a particular issue,</p>	<p>of a particular issue, or on deciding to reconstitute a bond pursuant to the provisions of Article 94, paragraph (8), as after the deemed replacement of terms under Article 48,</p>

	and as indicated in the application pursuant to the provisions of paragraph (4)	and as indicated in the application pursuant to the provisions of paragraph (4); or pursuant to the provisions of Article 94, paragraph (8) as after the deemed replacement of terms under 48 and as indicated in the decision
Article 94, paragraph (7)	(7) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.	(7) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(8) On reaching a decision to reconstitute a specific amount of strippable book-entry JGBs and interest-only book-entry transfer JGBs which have been entered or recorded in the column of the Institution-Held Account in which the information set forth in Article 91, paragraph (5), item (ii), as after the deemed replacement of terms under Article 48, is entered or recorded, a Book-Entry Transfer Institution must immediately create an entry or record showing a reduction equal to the amount of the strippable book-entry transfer JGBs and each of the interest-only book-entry transfer JGBs of that issue which have been entered or recorded in the column where the information set forth in that item is entered or recorded and create an entry or record showing an increase equal to the amount of the reduction in the principal-only book-entry transfer JGBs, for a strippable book-entry transfer JGB of the same name and code as those principal-only book-entry JGBs. In such a case, the interest payment dates and the amounts of each of the interest-only book-entry transfer JGBs subject to the decision must be the same as the interest payment dates and amounts of each of the interest portions of the strippable book-entry transfer JGBs with the same name and code, and of the same amount, as the principal-only book-entry transfer JGBs subject to the decision.

Article 95, paragraph (1)	of a particular issue,	of a particular issue, or on deciding to effect a book entry transfer pursuant to the provisions of Article 95, paragraph (9), as after the deemed replacement of terms under Article 48,
	and as indicated in the application pursuant to the provisions of paragraph (3),	and as indicated in the application pursuant to the provisions of paragraph (3); or pursuant to the provisions of Article 95, paragraphs (9) to (11) as after the deemed replacement of terms under Article 48 and as indicated in the decision
Article 95, paragraph (3), item (iv)	the transferee account (this excludes the Institution-Held Account)	the transferee account
	holdings column	holdings column (or in the column where entries or records are created for the information set forth in Article 91, paragraph (5), item (ii) as after the deemed replacement of terms under Article 48, for the Institution-Held Account; hereinafter referred to as the "institutional holdings column" in this Chapter)
	pledge column	pledge column (or in the column where entries or records are created for the information set forth in Article 91, paragraph (5), item (ii)-2 as after the deemed replacement of terms under Article 48, for the Institution-Held Account; hereinafter referred to as the "institutional pledges column" in this Chapter)

<p>Article 95, paragraph (8)</p>	<p>(8) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.</p>	<p>(8) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.</p> <p>(9) On deciding to make a book entry transfer in the account of a Participant for a specific amount of Book-Entry Transfer JGBs of a particular issue that have been entered or recorded in the institutional pledges column of the Institution-Held Account, a Book-Entry Transfer Institution must immediately take the following measures:</p> <p>(i) create an entry or record showing a reduction equal to the amount of the Book-Entry Transfer JGBs of that particular issue, in the holdings column of the account subject to the decision;</p> <p>(ii) create an entry or record showing an increase equal to the amount referred to in the preceding item, in either the holdings column or the pledge column of the transferee account, if the Book-Entry Transfer Institution is the one that opened the transferee account subject to the decision.</p>
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(iii) create an entry or record showing an increase equal to the amount referred to in item (i), in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is; notify the Immediately Subordinate Institution of the issue, amount, and transferee account for the Book-Entry Transfer JGBs for which an entry or record showing an increase must be created when the book entry is effected; and notify the Immediately Subordinate Institution of whether to create the entry or record showing the increase in the holdings column or in the pledge column of that account, if the Book-Entry Transfer Institution is not the one that opened the transferee account subject to the decision.

(10) Upon being notified as referred to in item (iii) of the preceding paragraph, the Account Management Institution that has been so notified must immediately take the following measures:

(i) create an entry or record showing an increase equal to the amount referred to in item (i) of the preceding paragraph in the transferee account, in the column of which it has been notified, if the Account Management Institution is the one that opened the transferee account;

		<p>(ii) create an entry or record showing an increase equal to the amount referred to in item (i) of the preceding paragraph, in the customer account subdivision under the account of whichever of the Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution pursuant to the provisions of item (iii) of the preceding paragraph, if the Account Management Institution is not the one that opened the transferee account.</p> <p>(11) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.</p>
Article 96, paragraph (1)	of a particular issue,	of a particular issue, or on deciding to make a deletion pursuant to the provisions of Article 96, paragraph (8), as after the deemed replacement of terms under Article 48,
	and as indicated in the application pursuant to the provisions of paragraph (3),	and as indicated in the application pursuant to the provisions of paragraph (3); or pursuant to the provisions of Article 96, paragraphs (8) as after the deemed replacement of terms under Article 48 and as indicated in the decision

<p>Article 96, paragraph (7)</p>	<p>(7) The national government may demand that, in exchange for the government redeeming Book-Entry Transfer JGBs (or paying interest, if the bonds are interest-only book-entry JGBs), the bondholder or pledgee thereof file an application with its Immediately Superior Institution to enter a deletion for the Book-Entry JGBs of that issue which appear on its account, deleting the same amount from the account as the amount of the Book-Entry Transfer JGBs that are being redeemed.</p>	<p>(7) The national government may demand that, in exchange for the government redeeming Book-Entry Transfer JGBs (or paying interest, if the bonds are interest-only book-entry transfer JGBs), the bondholder or pledgee thereof file an application with its Immediately Superior Institution to enter a deletion for the Book-Entry Transfer JGBs of that issue which appear on its account, deleting the same amount from the account as the amount of the Book-Entry Transfer JGBs that are being redeemed.</p> <p>(8) On reaching a decision to delete a specific amount of book-entry JGBs of a particular issue which have been entered or recorded in the institutional holdings column or institutional pledges column of the Institution-Held Account, a Book-Entry Transfer Institution must immediately create an entry or record showing a reduction equal to the amount of the issue subject to the decision, in the column that is subject to that decision.</p>
<p>Article 98</p>	<p>based on an application for book entry transfer,</p>	<p>based on an application for book entry transfer or a decision as referred to in Article 95, paragraph (9), as after the deemed replacement of terms under Article 48,</p>
	<p>(or in the column where the information set forth in Article 91, paragraph (5), item (ii) is entered or recorded, for</p>	<p>or in the institutional holdings column of</p>



Article 99	based on an application for book entry transfer,	based on an application for book entry transfer or a decision as referred to in Article 95, paragraph (9), as after the deemed replacement of terms under Article 48,
	pledge column of its account	pledge column of its account (or in the institutional pledges column of the Institution Held Account)
Article 101	Participant	Participant and Book-Entry Transfer Institution
Article 102	based on an application for book entry transfer,	based on an application for book entry transfer or a decision as referred to in Article 95, paragraph (9), as after the deemed replacement of terms under Article 48,
Article 103, paragraph (1), item (i) and Article 107, paragraph (1), item (i)	the accounts of the Participants of the Book-Entry Transfer Institution	the accounts of the Participants of the Book-Entry Transfer Institution and the Institution-Held Account
Article 278, paragraph (1)	Article 95, paragraph (1)	Article 95, paragraph (1) or issue a decision as referred to in Article 95, paragraph (9), as after the deemed replacement of terms under Article 48,
Article 281	Article 3, paragraph (1)	Article 47, paragraph (1)
Article 282, paragraph (1), item (i)	Article 3, paragraph (1)	Article 47, paragraph (1)
	Article 25, paragraph (5), Article 27, paragraph (5), Article 29, paragraph (5) or Article 31, paragraph (5)	Article 31, paragraph (5) applied mutatis mutandis pursuant to Article 50
Article 282, paragraph (1), item (ii)	Article 3, paragraph (1)	Article 47, paragraph (1)

<p>Article 22, paragraph (7) of Supplementary Provisions</p>	<p>(7) On being notified as referred to in paragraph (5), item (i), the national government must immediately retire the registration to which the request for retirement prescribed in paragraph (3) pertains.</p>	<p>(7) On being notified as referred to in paragraph (5), item (i), the national government must immediately retire the registration to which the request for retirement prescribed in paragraph (3) pertains.</p> <p>(8) On reaching a decision to enter or record the special deficit-financing bonds it holds in the book entry transfer receipts register, a Book-Entry Transfer Institution must immediately create entries or records in the book entry transfer receipts register showing the information set forth in the items of Article 20, paragraph (1) of the Supplementary Provisions for the special deficit-financing bonds subject to that decision.</p> <p>(9) After creating entries or records in the book entry transfer receipts register pursuant to the preceding paragraph, a Book-Entry Transfer Institution must immediately take the following measures for the special deficit-financing bonds under those entries or records:</p> <p>(i) notify the national government that it has created entries or records in the book entry transfer receipts register;</p>
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		(ii) create an entry or record showing an increase equal to the amount of those special deficit-financing bonds in the column of the Institution-Held Account where entries or records are created for the information set forth in Article 91, paragraph (5), item (ii), as after the deemed replacement of terms under Article 48.
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(Special Provisions on Business Transfer Orders)

Article 49 If a Book-Entry Transfer Institution falls under one of the items of Article 23, the competent minister may order it to transfer Book-Entry Transfer Services to the Bank of Japan under the designation referred to in Article 47, paragraph (1).

(Mutatis Mutandis Application of Approval for Business Transfer)

Article 50 The provisions of Article 31 apply mutatis mutandis to a Book-Entry Transfer Institution's transfer of all or some of the Book-Entry Transfer Services it provides to the Bank of Japan. In such a case, the phrase "items of Article 4, paragraph (1)" in Article 31, paragraph (2), item (i) is deemed to be replaced with "Article 4, paragraph (1), item (i) and (iii) as applied mutatis mutandis pursuant to Article 47, paragraph (3)"; the phrase "items of Article 3, paragraph (1)" in paragraph (4), item (i) of that Article is deemed to be replaced with "items of Article 47, paragraph (1)"; the phrase "a Book-Entry Transfer Institution is the transferee company" in paragraph (5) of that Article is deemed to be replaced with "the Bank of Japan has been designated as referred to in Article 47, paragraph (1)"; and the phrase "Article 3, paragraph (1)" in that paragraph is deemed to be replaced with "Article 47, paragraph (1)".

### **Chapter III Participants Protection Trusts**

#### **Section 1 Participants Protection Trust Contracts**

(Conclusion of Participants Protection Trust Contracts)

Article 51 (1) After being designated as referred to in Article 3, paragraph (1), an Book-Entry Transfer Institution must conclude a participants protection trust contract as the settlor without delay; provided, however, that this does not apply if another Book-Entry Transfer Institution has already concluded a participants protection trust contract when the aforementioned Book-Entry Transfer Institution is so designated.

- (2) A Book-Entry Transfer Institution that is released from the requirement to conclude a participants protection trust contract pursuant to the proviso of the preceding paragraph is deemed to have concluded a participants protection trust contract as a settlor.
- (3) Once a Book-Entry Transfer Institution concludes a participants protection trust contract pursuant to the main clause of paragraph (1) (including if it is deemed to have concluded a participants protection trust contract pursuant to the provisions of the preceding paragraph), it must provide for the particulars of the Participants Protection Trust in its operational rules.

(Trustees)

Article 52 A participants protection trust contract must not be concluded unless the trustee is a trust company or similar institution (meaning a trust company (but only one licensed as referred to in Article 3 or Article 53, paragraph (1) of the Trust Business Act (Act No. 154 of 2004)) or a financial institution engaged in trust business (meaning a financial institution licensed as referred to in Article 1, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions (Act No. 43 of 1943); the same applies hereinafter); the same applies hereinafter).

(Beneficiaries)

Article 53 The beneficiaries of a Participants Protection Trust are Participants with compensable claims as prescribed in Article 60, paragraph (1).

(Designation of Trust Administrator)

Article 54 A trust administrator and the beneficiaries' agent must be designated in a participants protection trust contract.

(Establishment of Management Committee)

- Article 55 (1) A participants protection trust contract must provide for the establishment of a management committee.
- (2) With the authorization of the competent minister, the trustee appoints and dismisses members of a management committee from among persons with the necessary business or academic experience to allow for the appropriate management of the Participants Protection Trust.

(Participants Protection Trust Contracts)

Article 56 The following particulars must be prescribed in a participants protection trust contract:

- (i) that it is for a Participants Protection Trust;
- (ii) the particulars of the trust administrator and beneficiaries' agent;

- (iii) the particulars of the management committee
- (iv) the particulars of the administration and management of the trust property;
- (v) the particulars of how trust fees are calculated, as well as how they are paid and the timing of their payment;
- (vi) the particulars of the disposal of trust property;
- (vii) the means of public notice;
- (viii) other particulars prescribed by Ordinance of the Competent Ministry.

(Authorization)

Article 57 A Book-Entry Transfer Institution must receive the advance authorization of the competent minister pursuant to the provisions of Ordinance of the Competent Ministry before concluding a participants protection trust contract.

## **Section 2 Issuing Payment to Beneficiaries**

(Issuing Notice to Beneficiaries)

Article 58 If the current or former Immediately Superior Institution of a Participant is liable for damage that a Book-Entry Transfer Institution, etc. has done to the Participant by causing an entry or record to be omitted from the book-entry transfer account register or by causing an erroneous entry or record to be made therein, in violation of the following provisions (referred to as "erroneous entry or recording" in Article 60, paragraph (1)), and it is subject to an order commencing bankruptcy proceedings, order commencing rehabilitation, order commencing reorganization, order commencing special liquidation, or order recognizing foreign insolvency proceedings (hereinafter referred to as an "order commencing bankruptcy or similar proceedings" in this Article) (hereinafter such an institution is referred to as a "bankrupt current or former immediately superior institution" in this Section and Section 4), in addition to immediately notifying the trustee that it is subject to an order commencing bankruptcy or similar proceedings and of the particulars specified by Ordinance of the Competent Ministry, the bankrupt current or former immediately superior institution must immediately report this to the competent minister:

- (i) Article 69, paragraph (2) (including as applied mutatis mutandis pursuant to Article 69, paragraph (3) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)), Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i));

- (ii) Article 70, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i));
- (iii) Article 71, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i));
- (iv) Article 72 (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i));
- (v) Article 78, paragraph (5) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i));
- (vi) Article 79, paragraph (5) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i));
- (vii) Article 92, paragraph (2) (including as applied mutatis mutandis pursuant to Article 92, paragraph (3));
- (viii) Article 93, paragraph (1), Article 94, paragraph (1), Article 95, paragraph (1), Article 96, paragraph (1), Article 97, Article 103, paragraph (5), Article 104, paragraph (5), Article 107, paragraph (6), Article 108, paragraph (5), Article 121-2, paragraphs (4) or (5), Article 122-2, paragraphs (4) or (5) or Article 124-2, paragraphs (4) or (5);
- (viii)-2 Article 127-5, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-5, paragraph (3)), Article 127-7, paragraph (1), Article 127-9, paragraph (1), Article 127-10, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-10, paragraph (4)), Article 127-11, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-11, paragraphs (4) and (5), Article 127-12, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-12, paragraphs (4) and (5), Article 127-13, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-13, paragraphs (4) and (5), Article 127-15, Article 127-21, paragraph (5) and Article 127-22, paragraph (5));
- (ix) Article 130, paragraph (2) (including as applied mutatis mutandis pursuant to Article 130, paragraph (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii));
- (x) Article 132, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii));

- (xi) Article 134, paragraph (1) (including as applied mutatis mutandis pursuant to Article 235, paragraph (1) and Article 276, item (ii));
- (xii) Article 135, paragraph (3) (including as applied mutatis mutandis pursuant to Article 135, paragraph (4), (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii));
- (xiii) Article 136, paragraph (3) (including as applied mutatis mutandis pursuant to Article 136, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii));
- (xiv) Article 136, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii));
- (xv) Article 137, paragraph (3) (including as applied mutatis mutandis pursuant to Article 137, paragraph (4), (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii));
- (xvi) Article 137, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii));
- (xvii) Article 138, paragraph (3) (including as applied mutatis mutandis pursuant to Article 138, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii));
- (xviii) Article 138, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii));
- (xix) Article 139 (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii));
- (xx) Article 145, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii));
- (xxi) Article 146, paragraph (5) (including as applied mutatis mutandis

- pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii));
- (xxii) Article 166, paragraph (2) (including as applied mutatis mutandis pursuant to Article 166, paragraph (3) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)), Article 249, paragraph (1) and Article 276, item (iii));
- (xxiii) Article 168, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii));
- (xxiv) Article 170, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii));
- (xxv) Article 171, paragraph (3) (including as applied mutatis mutandis pursuant to Article 171, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iii)) and Article 276, item (iii));
- (xxvi) Article 172 (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii));
- (xxvii) Article 173 (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii));
- (xxviii) Article 179, paragraph (5) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii));
- (xxix) Article 180, paragraph (5) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii));
- (xxx) Article 195, paragraph (2) (including as applied mutatis mutandis pursuant to Article 195, paragraph (3) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)), Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv));
- (xxxi) Article 197, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv));
- (xxxii) Article 199, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv));
- (xxxiii) Article 200, paragraph (3) (including as applied mutatis mutandis pursuant to Article 200, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv));
- (xxxiv) Article 201 (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv));
- (xxxv) Article 202, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv));
- (xxxvi) Article 203, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv));



- (xxxvii) Article 204 (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv));
- (xxxviii) Article 210, paragraph (6) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv));
- (xxxix) Article 211, paragraph (5) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv));
- (xl) Article 230, paragraph (2) or Article 240, paragraph (2);
- (xli) Article 241, paragraph (3) (including as applied mutatis mutandis pursuant to Article 241, paragraph (4));
- (xlii) Article 242, paragraph (3) (including as applied mutatis mutandis pursuant to Article 242, paragraph (4));
- (xliii) Article 242, paragraph (5).

(Public Notice)

- Article 59 (1) Having been notified as referred to in the preceding Article, the trustee must hear the opinion of the management committee, establish the period and location for persons to file notification of compensable claims as prescribed in paragraph (1) of the following Article, provide for the particulars prescribed by Cabinet Order, and issue public notice thereof.
- (2) The trustee may change the period for filing a notification that has been announced in the public notice issued pursuant to the provisions of the preceding paragraph, if, after public notice has been issued pursuant to the preceding paragraph, a public notice under the provisions of Article 197, paragraph (1) of the Bankruptcy Act (Act No. 75 of 2004) is issued (including as applied mutatis mutandis pursuant to Article 209, paragraph (3) of that Act), the relevant person is notified as under the provisions of Article 65-2, or any other circumstance specified by Cabinet Order arises with respect to the bankrupt current or former immediately superior institution.
  - (3) If a trustee changes the period for filing a notification pursuant to the provisions of the preceding paragraph, it must issue public notice of the particulars of the change without delay.
  - (4) Once a trustee establishes the things prescribed in paragraph (1) or if the trustee changes the period for filing a notification pursuant to paragraph (2), it must immediately report this to the competent minister.

(Issuing Payment to Beneficiaries)

- Article 60 (1) At the request of a Participant, the trustee issues a payment, pursuant to Ordinance of the Competent Ministry, in an amount equivalent to the claim for damage that the Participant has incurred due to the Book-Entry

Transfer Institution, etc.'s erroneous entry or recording (hereinafter referred to as a "claim due to erroneous entry or recording") and which the participant holds against the bankrupt current or former immediately superior institution at the commencement of bankruptcy or other proceedings (referred to as a "compensable claim" in paragraph (6), the following Article and Article 61-2).

- (2) A request as referred to in the preceding paragraph may only be made within the period for filing a notification announced in a public notice issued pursuant to the provisions of paragraph (1) or (3) of the preceding Article; provided, however, that this does not apply if the trustee finds a natural disaster or other compelling circumstance to have hindered a person from making a request within the period for filing a notification.
- (3) Before finding a natural disaster or other compelling circumstance to have hindered a person pursuant to the preceding paragraph, the trustee must hear the opinion of the management committee.
- (4) Notwithstanding paragraph (1), if the amount payable pursuant to that paragraph exceeds the amount specified by Cabinet Order, the trustee is to pay the amount specified by Cabinet Order.
- (5) Notwithstanding paragraph (1) or the preceding paragraph, if the total of the amounts payable to all Participants pursuant to the provisions of paragraph (1) and the preceding paragraph exceeds the amount of trust property in the Participants Protection Trust, payment is to be issued in proportion to the part of the amount that is payable to each Participant pursuant to the provisions of paragraph (1) and the preceding paragraph.
- (6) Once a trustee issues a payment pursuant to the provisions of paragraph (1) or the preceding two paragraphs, it acquires the compensable claim subject to the payment (or acquires a claim due to erroneous entry or recording against the principal obligor of the guarantee obligation, if the compensable claim subject to the payment is a claim that involves a guarantee obligation of the bankrupt current or former immediately superior institution) in proportion to the amount paid.

(Management Committee Instructions)

Article 61 Before issuing a payment against a compensable claim pursuant to the provisions of paragraph (1), (4) or (5) of the preceding Article, the trustee must ask for payment instructions from the management committee. In such a case, the management committee must promptly verify the compensable claim and issue instructions.

(Application of the Income Tax Act)

Article 61-2 (1) If a Participant is paid as referred to in Article 60, paragraph (1) based on a compensable claim, the Bond or Other Security underlying the paid

compensable claim (but only the part of the compensable claim that the trustee has acquired based on that payment) is deemed to transfer from the Participant to the trustee that issues the payment, at the time the Participant is paid and for the amount of money paid thereto, and the provisions of the Income Tax Act (Act No. 33 of 1965) and other laws and regulations on income taxes apply.

- (2) Cabinet Order prescribes the necessary particulars concerning the application of the special provisions of Article 4-2 and Article 4-3 of the Act on Special Measures on Taxation (Act No. 26 of 1957) when the provisions of the preceding paragraph apply.

### **Section 3 Dues**

(Book-Entry Transfer and Account Management Institutions' Payment of Dues to a Participants Protection Trust)

Article 62 (1) A Book-Entry Transfer Institution, etc. (other than one as set forth in Article 44, paragraph (1), item (xiii); the same applies in Article 64, paragraph (1)) must pay monies to a trustee to add to the trust property of a Participants Protection Trust (hereinafter referred to as a "dues" in this Section), pursuant to the provisions of Ordinance of the Competent Ministry.

- (2) Monies that a Book-Entry Transfer Institution places in trust and which become part of the trust property of a Participants Protection Trust at the time it concludes a participants protection trust contract pursuant to the provisions of the main clause of Article 51, paragraph (1) are deemed to be dues.

(Amount of Dues)

Article 63 (1) The amount of dues is calculated using the calculation method prescribed in the operational rules of the Book-Entry Transfer Institution in accordance with the standards prescribed by Ordinance of the Competent Ministry.

- (2) The competent minister must exercise the appropriate supervision so that dues are imposed fairly and sufficient trust property is secured for the Participants Protection Trust.

(Late Payment Charges)

Article 64 (1) If a Book-Entry Transfer Institution, etc. fails to pay dues by the due date prescribed in its operational rules, it must pay a late payment charge to the trustee which becomes part of the trust property of the Participants Protection Trust.

- (2) The late payment charge referred to in the preceding paragraph is calculated by multiplying the unpaid dues by an annual rate of 14.5%, based on the

number of days in the period running from the day after the due date to the date of payment.

#### **Section 4 Miscellaneous Provisions**

(Mutatis Mutandis Application of the Act on Charitable Trusts)

Article 65 The provisions of Article 4, paragraph (2) and Articles 5 to 9 inclusive of the Act on Charitable Trusts (Act No. 62 of 1922) apply mutatis mutandis to a Participants Protection Trust.

(Notifying the Trustee of a Distribution Notice concerning the Bankrupt Current or Former Immediately Superior Institution)

Article 65-2 If a bankruptcy trustee issues a notice under Article 197, paragraph (1) (including as applied mutatis mutandis pursuant to Article 209, paragraph (3)) or Article 204, paragraph (2) of the Bankruptcy Act or receives approval under Article 208, paragraph (1) of that Act in the course of the bankruptcy proceedings of a bankrupt current or former immediately superior institution, the bankruptcy trustee must notify the trustee of the Participants Protection Trust of this.

### **Chapter IV Book Entry Transfer of Corporate Bonds**

#### **Section 1 General Rules**

(Ownership of Rights)

Article 66 The ownership of rights (other than a claim for interest prescribed in Article 73) under a corporate bond as set forth below which is handled by a Book-Entry Transfer Institution (hereinafter referred to as a "book-entry transfer corporate bond" in this Chapter) is established by the entries or records in a book-entry transfer account register as under the provisions of this Chapter:

- (i) a corporate bond that satisfies all of the following requirements (referred to as a "short-term corporate bond" in Article 83):
  - (a) the amount of each corporate bond is no less than one hundred million yen;
  - (b) provisions have been made establishing a fixed due date for the redemption of the principal that is within one year from the day on which the total amount for the corporate bonds is paid in, and no provisions have been made for payment by installment;
  - (c) provisions have been made establishing that the due date for the payment of interest is the same day as the due date for the redemption of the principal as referred to in (b);

- (d) the bond is not secured by collateral pursuant to the provisions of the Secured Bonds Trust Act (Act No. 52 of 1905).
- (ii) a corporate bond that is provided for in a decision to issue corporate bonds establishing that all corporate bonds issued based on that decision will be subject to the application of this Act.

(Non-issuance of Corporate Bond Certificates)

Article 67 (1) Corporate bond certificates may not be issued for book-entry transfer corporate bonds.

- (2) Notwithstanding the preceding paragraph, if a Book-Entry Transfer Institution that handles book-entry transfer corporate bonds has its Article 3, paragraph (1) designation rescinded pursuant to the provisions of Article 22, paragraph (1) or its designation ceases to be effective pursuant to the provisions of Article 41, paragraph (1) and there is no person to succeed to the Book-Entry Transfer Services thereof; or if a Book-Entry Transfer Institution that handles book-entry transfer corporate bonds ceases to handle those book-entry transfer corporate bonds; the holder of such a book-entry transfer corporate bond may ask the issuer to issue a corporate bond certificate.
- (3) A corporate bond certificate as referred to in the preceding paragraph is to be in bearer form.

## **Section 2 Book-Entry Transfer Account Registers**

(Information Required to Be Entered or Recorded in a Book-Entry Transfer Account Register)

Article 68 (1) A book-entry transfer account register is subdivided, with an account for each Participant.

- (2) The account of an Account Management Institution in a book-entry transfer account register is subdivided as follows:
  - (i) an account in which entries or records are created for book-entry transfer corporate bonds under which the Account Management Institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter);
  - (ii) an account in which entries or records are created for book-entry transfer corporate bonds under which the Participants of the Account Management Institution or of its Subordinate Institution hold rights (hereinafter referred to as a "customer account" in this Chapter).
- (3) Entries or records giving the following information are made for each account (other than customer accounts) in a book-entry transfer account register:
  - (i) the name and address of the Participant;
  - (ii) the issuer's trade name and the type of book-entry transfer corporate bond

- (hereinafter referred to as the "issue" in this Chapter);
- (iii) the amount of book-entry transfer corporate bonds, by issue (other than as set forth in the following item);
  - (iv) that the Participant in question is a pledgee, if this is the case; and the amount of book-entry transfer corporate bonds that have been pledged thereto, by issue;
  - (v) that the Participant in question is the trustee of a trust, if this is the case; and the amount of the book-entry transfer corporate bonds as referred to in the preceding two items which constitute trust property;
  - (vi) other information specified by Cabinet Order.
- (4) Entries or records giving the following information are made for each customer account in a book-entry transfer account register:
- (i) the information set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the amount of book-entry transfer corporate bonds, by issue;
  - (iii) other information specified by Cabinet Order.
- (5) If a Book-Entry Transfer Institution opens an Institution-Held Account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
  - (ii) the amount of book-entry transfer corporate bonds, by issue;
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one as specified by Ordinance of the Competent Ministry).

(Creating New Entries or Records upon Issuance of Book-Entry Transfer Corporate Bonds)

Article 69 (1) The issuer of book-entry transfer corporate bonds of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information without delay after the date on which it issues those book-entry transfer corporate bonds:

- (i) the issue of book-entry transfer corporate bonds that it has issued;
- (ii) the names of the Participants that constitute the holders and pledgees of book-entry transfer corporate bonds as referred to in the preceding item;
- (iii) the accounts opened for the Participants referred to in the preceding item, in which book entries can be made for book-entry transfer corporate bonds as referred to in item (i);
- (iv) the amount of book-entry transfer corporate bonds as referred to in item (i) for each Participant (other than as set forth in the following item);
- (v) that a Participant is a pledgee, if this is the case; and the amount of book -

- entry transfer corporate bonds as referred to in item (i) that have been pledged thereto;
- (vi) that a Participant is the trustee of a trust, if this is the case; and the amount of book-entry transfer corporate bonds as referred to in item (iv) and the preceding item which constitute trust property;
- (vii) the total amount of book-entry transfer corporate bonds as referred to in item (i) and other information specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately take the following measures for the book-entry transfer corporate bonds of the issue about which it has been notified:
- (i) create the following entries or records, if the Book-Entry Transfer Institution is the one that opened the account referred to item (iii) of the preceding paragraph:
- (a) an entry or record showing an increase equal to the amount referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph (but only one that is a bondholder as referred to in that item), in the column of the account where the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);
- (b) an entry or record showing an increase equal to the amount referred to in item (v) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph (but only one that is a pledgee as referred to in that item), in the column of the account where the information set forth in paragraph (3), item (iv) of the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
- (c) an entry or record in the account showing an increase equal to the amount of the book-entry transfer corporate bonds that constitute trust property as referred to in item (vi) of the preceding paragraph.
- (ii) create an entry or record showing an increase equal to the total of the amounts referred to in items (iv) and (v) of the preceding paragraph, for a Participant as referred to in item (ii) of that paragraph, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution's Immediately Subordinate Institutions is the Superior Institution of that Participant, and notify the Immediately Subordinate Institution of the information set forth in items (i) to (vi) inclusive of that paragraph, if the Book-Entry Transfer Institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to

this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.

(Procedures If a Company Cannot Find the Account of a Bondholder)

Article 69-2 (1) If a company seeks to deliver book-entry transfer corporate bonds of a particular issue but is unable to find an account that has been opened for the holder or pledgee of those bonds in which book entries can be made for book-entry transfer corporate bonds, the company (or the person specified by Ordinance of the Competent Ministry as being equivalent to such a company, if it is delivering book-entry transfer corporate bonds at the time of a consolidation-type merger or in any other case specified by Ordinance of the Competent Ministry; hereinafter referred to as the "notifier" in this Article) must notify the person that Ordinance of the Competent Ministry prescribes as the one that will become the holder or pledgee of those book-entry transfer corporate bonds of the following information, by one month prior to the fixed date referred to in item (i):

- (i) that the company will notify the relevant party as referred to in paragraph (1) of the preceding Article or apply for a book-entry transfer to be made for the holder (other than the holder of corporate bonds underlying a pledge, if there is a pledgee) or pledgee of the book-entry transfer corporate bonds on a fixed date;
- (ii) that the notifier must be notified of the account opened for the bondholder or pledgee referred to in the preceding item (other than an account opened by a Book-Entry Transfer Institution, etc. based on a request as referred to in the main clause of paragraph (3)) in which book entries can be made for the book-entry transfer corporate bonds, by the fixed date referred to in that item;
- (iii) the name and address of the Book-Entry Transfer Institution, etc. that opens accounts based on requests as referred to in the main clause of paragraph (3);
- (iv) other information specified by Ordinance of the Competent Ministry.

(2) If the notifier referred to in the preceding paragraph is a person other than a company as referred to in that paragraph, the notifier must notify that company, on the fixed date referred to in item (i) of that paragraph, of the account referred to in item (ii) of that paragraph of which the bondholder or pledgee referred to in that item has notified it.

(3) If a bondholder or pledgee as referred to paragraph (1), item (i) does not notify the notifier of an account as referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, the company must request the Book-Entry Transfer Institution, etc. referred to in item (iii) of that paragraph to open an account for the bondholder or pledgee in which book



entries can be made for book-entry transfer corporate bonds (hereinafter referred to as a "special account"); provided, however, that this does not apply if there is a special account open that the company has requested be opened for the bondholder or pledgee.

- (4) If a company is the issuer of corporate bonds that constitute book-entry transfer corporate bonds as referred to paragraph (1) but has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the Book-Entry Transfer Institution with respect to those corporate bonds.
- (5) In the case prescribed in paragraph (1), when the company notifies the relevant party as referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) of which it is notified by the bondholder or pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if it has not been so notified) as the account referred to in paragraph (1), item (iii) of the preceding Article.

(Making Book-Entries)

Article 70 (1) On receiving an application for a book-entry transfer involving book-entry transfer corporate bonds of a particular issue, a Book-Entry Transfer Institution, etc., pursuant to the provisions of paragraphs (4) to (8) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction or increase in the book-entry transfer account register that it maintains, or must notify the relevant person.

- (2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record of a reduction is to file with its Immediately Superior Institution.
- (3) A person filing an application as referred to in paragraph (1) must indicate the following information in that application:
  - (i) the issue and the amount of book-entry transfer corporate bonds for which entries or records showing a reduction and increase will need to be created when the book-entry transfer is effected;
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the account of the Participant referred to in the preceding paragraph;
  - (iii) the account in which the entry or record showing the increase will need to be created (this excludes a customer account; hereinafter referred to as the "transferee account" in this Article);

- (iv) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (this excludes the Institution-Held Account).
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
- (i) create an entry or record showing a reduction, in the amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book-entry transfer" in this Article), in either the holdings column or the pledge column of the account of the Participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of items (i), (iii) and (iv) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is not the Common Immediately Superior Institution involved in the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in either the holdings column or the pledge column of the transferee account, as indicated pursuant to the provisions of item (iv) of the preceding paragraph (or in the column where the information set forth in Article 68, paragraph (5), item (ii) is entered or recorded, for an Institution-Held Account; hereinafter referred to as the "transferee column"), if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution, etc.'s Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information indicated pursuant to the provisions of items (i), (iii) and (iv) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the amount subject to book-entry transfer, in the customer account subdivision under the account of the Account Management Institution that has notified it;

- (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is not the Common Immediately Superior Institution for the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the transferee column of the transferee account, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution, etc.'s Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer but is not the person that has opened the transferee account.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (7) Upon being notified as referred to in paragraph (4), item (iv) or paragraph (5), item (iv) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph), the Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the transferee column of the transferee account, if the Account Management Institution is the one that opened the transferee account;
  - (ii) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of paragraph (4), item (iv) or paragraph (5), item (iv), if the Account Management Institution is not the one that opened the transferee account.
- (8) If an Account Management Institution is notified as referred to in item (ii) of

the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.

(Special Provisions on Making Book-Entries for Book-Entry Transfer Corporate Bonds That Have Been Entered or Recorded in a Special Account)

Article 70-2 (1) A Participant may not apply for a book-entry transfer involving a book-entry transfer corporate bond that has been entered or recorded in a special account if the transferee account is other than that of the Participant or that of the issuer of the book-entry transfer corporate bond.

(2) If, after the notice referred to in Article 69, paragraph (1) or an application for a book-entry transfer involving book-entry transfer corporate bonds of a particular issue is made, a person that, before that notice or application, acquired shares in a company disappearing in a merger but that cannot be delivered the book-entry transfer corporate bonds that replace those shares at the time of the merger because no entry or record has been made for the person in the shareholder register, or any other person specified by Ordinance of the Competent Ministry (hereinafter referred to as the "acquirer or other such person" in this paragraph) files a joint request together with the Participant in whose special account the book-entry transfer corporate bonds have been entered or recorded, the issuer must take the following actions. The same applies if the acquirer or other such person files a request accompanied by an authenticated copy or certified copy of an enforceable judgment that orders the Participant to file such a request or accompanied by any other paper document specified by Ordinance of the Competent Ministry as being equivalent thereto, and the same also applies in cases prescribed by Ordinance of the Competent Ministry as those in which the interests of the Participant and other interested persons are unlikely to be prejudiced even if the issuer takes the following actions as requested by the acquirer or other such person:

(i) filing a request as referred to in the main clause of Article 69-2, paragraph

(3) for the acquirer or other such person;

(ii) filing an application for the book-entry transfer of those book-entry transfer corporate bonds in the transferee account that has been opened as per the request referred to in the preceding item.

(3) A Participant other than the issuer that has requested for a special account to be opened may not apply for a book-entry transfer with the special account as the transferee account.

(Making Deletions)

Article 71 (1) On receiving an application for the deletion of a book-entry transfer corporate bond of a particular issue, a Book-Entry Transfer Institution,

- etc., pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (2) The application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the reduction resulting from the deletion will be entered or recorded is to file with its Immediately Superior Institution.
- (3) A Participant filing an application as referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
- (i) the issue and the amount of book-entry transfer corporate bonds for which an entry or record showing the occurrence of a reduction will need to be created when the deletion is effected;
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the applicant's account.
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
- (i) create an entry or record showing a reduction equal to the amount referred to in item (i) of the preceding paragraph, in either the holdings column or pledge column of the applicant's account, as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the amount referred to in paragraph (3), item (i), in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (7) Unless an issuer goes through a corporate bond manager or a trust company

under a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act (referred to as a "bond manager or similar person" in the following paragraph) to redeem book-entry transfer corporate bonds for a bondholder or pledgee, the issuer may demand that, in exchange for the issuer redeeming book-entry transfer corporate bonds, the bondholder or pledgee file an application with its Immediately Superior Institution to enter a deletion for the book-entry transfer corporate bonds of that issue which appear on its account, deleting the same amount from the account as the amount of the book-entry transfer corporate bonds that are being redeemed.

(8) The provisions of the preceding paragraph apply mutatis mutandis when a bond manager or similar person through which corporate bonds are redeemed for a bondholder or pledgee pays the amount so redeemed to the bondholder or pledgee.

(Changing Entries or Records)

Article 72 If a Book-Entry Transfer Institution, etc. learns of a change having arisen with respect to information as set forth in one of the items of Article 68, paragraph (3), (4) or (5) in connection with the book-entry transfer account register that it maintains, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book Entry Transfer**

(Transfer of Book-Entry Transfer Corporate Bonds)

Article 73 A transfer of book-entry transfer corporate bonds (other than a claim for interest due free from seizure; the same applies in the following Article through Article 77) does not take effect unless the transferee has had an entry or record created in the holdings column of its account (or in the column where the information set forth in Article 68, paragraph (5), item (ii) is entered or recorded, for the Institution-Held Account), based on an application for book-entry transfer, showing an increase equal to the amount of book-entry transfer corporate bonds subject to the transfer.

(Pledges of Book-Entry Transfer Corporate Bonds)

Article 74 A pledge of book-entry transfer corporate bonds does not take effect unless the pledgee has had an entry or record created in the pledge column of its account, based on an application for book-entry transfer, showing an increase equal to the amount of the book-entry transfer corporate bonds subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer Corporate Bonds Which

Are Trust Property)

Article 75 (1) Unless an entry or record has been created for a book-entry transfer corporate bond in a book-entry transfer account register pursuant to the provisions of Article 68, paragraph (3), item (v), indicating that the bond is trust property, it is not permissible to assert against a third party that the bond is trust property.

(2) An entry or record in a book-entry transfer account register as prescribed in the preceding paragraph is created pursuant to the provisions of Cabinet Order.

(Participants' Presumed Rights)

Article 76 A Participant is presumed to be the lawful holder of the rights under a book-entry transfer corporate bond that has been entered or recorded in the account thereof (but only in its own account, if the Participant is an Account Management Institution).

(Acquisition in Good Faith)

Article 77 A Participant (or a Book-Entry Transfer Institution with an Institution-Held Account) that has had an entry or record created in its account (but only in its own account, if it is an Account Management Institution), based on an application for book-entry transfer, showing an increase in book-entry transfer corporate bonds of a particular issue acquires the rights associated with the entry or record showing the increase in the book-entry transfer corporate bonds of that issue; provided, however that this does not apply if the Participant has acted in bad faith or with gross negligence.

(Book-Entry Transfer Institutions' Obligations If There Are Entries or Records of Overages)

Article 78 (1) If the total amount of book-entry transfer corporate bonds of a particular issue that all bondholders hold based on acquisitions of book-entry transfer corporate bonds under the preceding Article comes to exceed the total issued amount (other than any amount that has been redeemed) of book-entry transfer corporate bonds of that issue, and the aggregate amount referred to in item (i) exceeds the total issued amount referred to in item (ii), the Book-Entry Transfer Institution has a duty to acquire book-entry transfer corporate bonds in that issue until its holdings reach the amount of the overage (meaning the aggregate amount referred to in item (i), less the total issued amount referred to in item (ii)):

(i) the aggregate amount of book-entry transfer corporate bonds of that issue which have been entered or recorded in the accounts of the Participants of the Book-Entry Transfer Institution, in the book-entry transfer account register maintained by that Book-Entry Transfer Institution;

- (ii) the total issued amount (other than any amount that has been redeemed) of book-entry transfer corporate bonds of that issue.
- (2) If there is any amount as prescribed in item (i) of the preceding paragraph for which an entry or record showing an increase or reduction has been created in an account as prescribed in that item, but the rights associated with that entry or record have not arisen, been transferred, or been extinguished, and it is proven that nobody has acquired book-entry transfer corporate bonds pursuant to the provisions of the preceding Article in the amount for which the entry or record has been created, that amount is treated as if the entry or record had not been created.
- (3) Once a Book-Entry Transfer Institution acquires book-entry transfer corporate bonds pursuant to the provisions of paragraph (1), it has a duty to immediately manifest its intention to the issuer to be bound by its release of the issuer from all obligations related to those book-entry transfer corporate bonds.
- (4) The rights under the book-entry transfer corporate bonds prescribed in the preceding paragraph are extinguished once an intention to be bound by a release is manifested pursuant to that paragraph.
- (5) Once a Book-Entry Transfer Institution manifests its intention to be bound by a release pursuant to the provisions of paragraph (3) with respect to book-entry transfer corporate bonds, it must immediately enter deletions for those book-entry transfer corporate bonds in the book-entry transfer account register.

(Account Management Institutions' Obligations If There Are Entries or Records of Overages)

Article 79 (1) In a case as prescribed in paragraph (1) of the preceding Article, if there is an Account Management Institution in connection with which the total amount referred to in item (i) comes to exceed the amount referred to in item (ii), the Account Management Institution has a duty to manifest its intention to the issuer to be bound by its release of the issuer from all obligations related to book-entry transfer corporate bonds of that issue in an amount equal to the overage (meaning the total amount referred to in item (i), less the amount referred to in item (ii)):

- (i) the total amount of book-entry transfer corporate bonds of that issue which have been entered or recorded in the accounts of the Participants of the Account Management Institution, in the book-entry transfer account register maintained by that Account Management Institution;
- (ii) the total amount of book-entry transfer corporate bonds of that issue which have been entered or recorded in the customer account subdivision under the account of the Account Management Institution, in the book-entry transfer account register maintained by its Immediately Superior Institution.



- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to:
- (i) the amount prescribed in item (i) of the preceding paragraph;
  - (ii) the amount set forth in item (ii) of the preceding paragraph, if an entry or record showing an increase or reduction has been created in a customer account as prescribed in that item but the rights associated with that entry or record have not arisen, been transferred, or been extinguished.
- (3) In a case as referred to in paragraph (1), if the Account Management Institution does not hold book-entry transfer corporate bonds of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, it has a duty to acquire book-entry transfer corporate bonds in that issue until its holdings reach the amount of the overage, before manifesting its intention to be bound by a release under the provisions of that paragraph.
- (4) Once an Account Management Institution manifests its intention to be bound by a release pursuant to the provisions of paragraph (1), it must immediately notify its Immediately Superior Institution:
- (i) that it has manifested the intention to be bound by the release;
  - (ii) of the issue and the amount of book-entry transfer corporate bonds with respect to which it has manifested the intention to be bound by the release.
- (5) Upon being notified as referred to in the preceding paragraph, the Immediately Superior Institution referred to in that paragraph must immediately create the following entries or records regarding book-entry transfer corporate bonds as set forth in item (ii) of that paragraph in the book-entry transfer account register that it maintains:
- (i) an entry or record under the account of the Account Management Institution referred to in that paragraph in the subdivision for the institution's own account, showing the occurrence of a reduction equal to the amount referred to in item (ii) of the preceding paragraph;
  - (ii) an entry or record in the customer account subdivision under the account referred to in the preceding item, showing an increase equal to the amount referred to in item (ii) of the preceding paragraph.

(Handling in the Event of Book-Entry Transfer Institution's Non-performance of Obligations as Regards Entries or Records of Overages)

Article 80 (1) In a case as prescribed in Article 78, paragraph (1), until the Book-Entry Transfer Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, the issuer does not have a duty to redeem the principal or pay interest on the part of the book-entry transfer corporate bonds of the relevant issue that any of the bondholders holds which corresponds to the amount arrived at when the

percentage of the total amount referred to in item (ii) that the amount referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount of the overage less any amount representing partial performance of the obligation referred to in paragraph (3) of that Article) (hereinafter referred to as the "maximum amount ascribable to the book-entry transfer institution" in this Article and Article 85):

- (i) the amount of book-entry transfer corporate bonds of that issue that the bondholder holds (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to book-entry transfer corporate bonds of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount of such bonds less the maximum amount ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder (but only in respect of the holder of a book-entry transfer corporate bond that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total amount of book-entry transfer corporate bonds of that issue that all bondholders hold (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to book-entry transfer corporate bonds of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the total amount of such bonds less the total of the maximum amounts ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of book-entry transfer corporate bonds that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) In the case prescribed in Article 78, paragraph (1), the Book-Entry Transfer Institution prescribed in that paragraph assumes the following duties toward each bondholder:
- (i) in a case as referred to in the preceding paragraph, the duty to redeem the principal and pay interest, in lieu of the issuer, on the part of the book-entry transfer corporate bonds of the relevant issue that each bondholder holds, up to the maximum amount ascribable to the book-entry transfer institution;
  - (ii) the duty to indemnify the bondholder for any damage caused by non-performance of obligations as referred to in Article 78, paragraph (1) or (3), beyond what is set forth in the preceding item.

(Handling in the Event of Account Management Institutions' Non-performance of Obligations as Regards Entries or Records of Overages)

Article 81 (1) In a case as prescribed in Article 79, paragraph (1), until the Account Management Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, the issuer does not have a duty to redeem the principal or pay interest on the part of the book-entry transfer corporate bonds of the relevant issue that a holder (but only the holder of a book-entry transfer corporate bond that has been entered or recorded in an account opened by that Account Management Institution or by its Subordinate Institution) holds which corresponds to the amount arrived at when the percentage of the total amount referred to in item (ii) that the amount referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount of the overage less any amount representing partial performance of the obligation referred to in that paragraph) (hereinafter referred to as the "maximum amount ascribable to the account management institution" in this Article and Article 85):

- (i) the amount of book-entry transfer corporate bonds of that issue that the holder holds (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to book-entry transfer corporate bonds of that issue pursuant to the provisions of Article 79, paragraph (1), the amount of book-entry transfer corporate bonds of that issue that the holder holds less the maximum amount ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder (but only in respect of the holder of a book-entry transfer corporate bond that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
- (ii) the total amount of book-entry transfer corporate bonds of that issue held by all of the holders of bonds entered or recorded in accounts opened by the Account Management Institution or by its Subordinate Institution (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to book-entry transfer corporate bonds of that issue pursuant to the provisions of Article 79, paragraph (1), that total amount less the total of the maximum amounts ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of book-entry transfer corporate bonds that have been entered or recorded in

accounts opened by that Subordinate Institution or by its Subordinate Institution).

- (2) In the case prescribed in Article 79, paragraph (1), the Account Management Institution prescribed in that paragraph assumes the following duties toward a bondholder as prescribed in the preceding paragraph:
- (i) in a case as referred to in the preceding paragraph, the duty to redeem the principal and pay interest, in lieu of the issuer, on the part of the book-entry transfer corporate bonds of the relevant issue that a bondholder as prescribed in the preceding paragraph holds, up to the maximum amount ascribable to the account management institution;
  - (ii) the duty to indemnify the bondholder for any damage caused by non-performance of obligations as referred to in Article 79, paragraph (1) or (3), beyond what is set forth in the preceding item.

(Handling If the Issuer Redeems Book-Entry Transfer Corporate Bonds in Error)

Article 82 (1) Even if an issuer is acting in good faith, its redemption of principal or payment of interest in an amount that the provisions of Article 80, paragraph (1) or paragraph (1) of the preceding Article establish the issuer as not having a duty to redeem or pay does not have the effect of extinguishing the issuer's obligations in respect of other book-entry transfer corporate bonds of that issue.

- (2) In a case as referred to in the preceding paragraph, a bondholder does not have a duty to return to the issuer the amount of the principal redeemed or interest paid as prescribed in that paragraph.
- (3) If an issuer redeems principal or pays interest as prescribed in paragraph (1), it acquires the rights of a bondholder under the provisions of Article 80, paragraph (2), item (i) or paragraph (2), item (i) of the preceding Article toward the Book-Entry Transfer Institution, etc., to the extent of the amount prescribed in the preceding paragraph.

#### **Section 4 Special Provisions of the Companies Act**

(Special Provisions of the Companies Act on the Issuance of Short-Term Corporate Bonds)

Article 83 (1) A share option may not be embedded in a short-term corporate bond.

- (2) A corporate bond register need not be created for short-term corporate bonds.
- (3) The provisions of Part IV, Chapter III of the Companies Act do not apply to a short-term corporate bond.

(Special Provisions of the Companies Act on the Issuance of Corporate Bonds)

- Article 84 (1) The issuer of book-entry transfer corporate bonds must indicate that the provisions of this Act apply to those book-entry transfer corporate bonds in the notice under Article 677, paragraph (1) of the Companies Act that it gives about them; provided, however, that this does not apply to short-term corporate bonds.
- (2) A corporate bond register that is for book-entry transfer corporate bonds must include an entry or record indicating that this Act applies to those book-entry transfer corporate bonds.
- (3) A person offering to subscribe for book-entry transfer corporate bonds must mention, in a paper-based document as referred to in Article 677, paragraph (2) of the Companies Act, the account opened for it in which book entries can be made for the book-entry transfer corporate bonds, or must indicate this account to the issuer of those book-entry transfer corporate bonds when concluding the agreement referred to in Article 679 of that Act.
- (4) A person seeking to be delivered book-entry transfer corporate bonds pursuant to a request under the main clause of Article 166, paragraph (1) of the Companies Act must indicate to the company delivering those book-entry transfer corporate bonds the account (but not a special account) that has been opened for it in which book entries can be made for those book-entry transfer corporate bonds.

(Bondholders' Voting Rights in the Event of Non-performance of Obligations as Regards Entries or Records of Overages)

- Article 85 (1) Notwithstanding Article 723, paragraph (1) of the Companies Act, in a case as referred to in Article 80, paragraph (1) or Article 81, paragraph (1), each bondholder holds voting rights exercisable at a bondholders meeting in proportion to the amount of corporate bonds held thereby (other than the sum total of the maximum amount ascribable to the book-entry transfer institution and maximum amount ascribable to the account management institution).
- (2) In applying the provisions of Article 718, paragraph (1) and Article 736, paragraph (1) of the Companies Act and Article 49, paragraph (1) of the Secured Bonds Trust Act, a bondholder as referred to in Article 80, paragraph (1) or Article 81, paragraph (1) is deemed not to hold the corporate bonds that correspond to the maximum amount ascribable to the book-entry transfer institution and the maximum amount ascribable to the account management institution.

(Presentation of Certificates)

- Article 86 (1) In order to demand that the relevant person call a bondholders meeting pursuant to the provisions of Article 718, paragraph (1) of the

Companies Act; in order to call a bondholders meeting pursuant to the provisions of paragraph (3) of that Article; in order to vote at a bondholders meeting; or in order to inspect the conditions under which collateral under the provisions of Article 49, paragraph (1) of the Secured Bonds Trust Act is stored, the holder of book-entry transfer corporate bonds, after having been issued a paper-based document pursuant to the provisions of the main clause of paragraph (3), must present that document to the person that each of the following items prescribes for the category of case set forth in the item:

(i) if there is a bond manager: to that bond manager;

(ii) if there is a trust company subject to a trust agreement prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act: to that trust company;

(iii) in a case other than as set forth in the preceding two items: to the issuer.

(2) In order for the holder of book-entry transfer corporate bonds to vote at a bondholders meeting, the bondholder must present the paper-based document as under the preceding paragraph no later than one week prior to the date of the bondholders meeting and on the day of the meeting.

(3) A holder of book-entry transfer corporate bonds may demand that its Immediately Superior Institution issue a paper-based document certifying the information set forth in the items of Article 68, paragraph (3) with regard to the book-entry transfer corporate bonds entered or recorded under its own account in the book-entry transfer account register maintained by its Immediately Superior Institution; provided, however, that this does not apply to a person that has already been issued a document under this paragraph with regard to those book-entry transfer corporate bonds and that has not returned that document to its Immediately Superior Institution.

(4) A bondholder that has been issued a paper-based document pursuant to the main clause of the preceding paragraph may not apply for a book-entry transfer or deletion with respect to the book-entry transfer corporate bonds certified by the document until the bondholder returns that document to the Immediately Superior Institution referred to in that paragraph.

(Special Provisions of the Companies Act on Mergers)

Article 86-2 (1) If a company surviving an absorption-type merger (meaning a company surviving an absorption-type merger as prescribed in Article 749, paragraph (1) of the Companies Act; the same applies hereinafter) or the wholly owning parent company resulting from a share exchange as prescribed in Article 767 of that Act (hereinafter collectively referred to as the "surviving or wholly owning company" in this Chapter and Chapters VII to IX, inclusive); or a company incorporated in a consolidation-type merger (meaning a company incorporated in a consolidation-type merger as prescribed in Article 753,

paragraph (1) of that Act) or the wholly owning parent company incorporated in a share transfer as prescribed in Article 773, paragraph (1), item (i) of that Act (hereinafter collectively referred to as the "incorporated or wholly owning company" in this Chapter and Chapters VII to IX inclusive) seeks to deliver book-entry transfer corporate bonds at the time of the absorption-type merger or share exchange (hereinafter collectively referred to as an "absorption-type merger or share exchange" in this Chapter and Chapters VII to IX inclusive) or at the time of the consolidation-type merger or share transfer (hereinafter collectively referred to as a "consolidation-type merger or share transfer" in this Chapter and Chapters VII to IX inclusive), it must notify the relevant person as referred to in Article 69-2, paragraph (1), item (i), using the effective date of the absorption-type merger or share exchange or the date of incorporation of the incorporated or wholly owning company (hereinafter collectively referred to as the "effective date or date of incorporation" in this Chapter and Chapters VII to IX inclusive) as the fixed date referred to in that item.

- (2) If a surviving or wholly owning company seeks to transfer book-entry transfer corporate bonds at the time of the absorption-type merger or share exchange, it must apply for book entries to be made for those book-entry transfer corporate bonds without delay after the effective date or date of incorporation.
- (3) If membership companies merge and the company surviving an absorption-type merger or the company incorporated in a consolidation-type merger seeks to deliver book-entry transfer corporate bonds at the time of the merger, it must specify, in the merger agreement, the accounts (but not special accounts) that have been opened for the members of the membership company in which book entries can be made for those book-entry transfer corporate bonds.
- (4) If the company succeeding in an absorption-type company split (meaning the company succeeding in an absorption-type company split as prescribed in Article 757 of the Companies Act; the same applies hereinafter) or the company incorporated in an incorporation-type company split (meaning the company incorporated in an incorporation-type company split as prescribed in Article 763 of that Act; the same applies hereinafter) seeks to deliver book-entry transfer corporate bonds at the time of the company split, it must specify, in the absorption-type company split agreement or incorporation-type company split plan, for the account (but not a special account) that has been opened for the splitting company in which book entries can be made for those book-entry transfer corporate bonds.

(Exclusion from Application)

Article 86-3 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) to (3) inclusive, Article 688, paragraph (1), Article 690,

paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) to (3) inclusive do not apply to book-entry transfer corporate bonds.

## **Section 5 Miscellaneous Provisions**

Article 87 (1) Upon being notified as referred to in Article 69, paragraph (1), the Book-Entry Transfer Institution that has been so notified must immediately take measures, using the means prescribed by Cabinet Order, that will enable the Participants to learn the information set forth in item (vii) of that paragraph concerning book-entry transfer corporate bonds of the issue to which the notice pertains.

(2) The expenses incurred in connection with the measures referred to in the preceding paragraph are borne by the issuer of the book-entry transfer corporate bonds referred to in that paragraph.

## **Chapter V Book Entry Transfer of Japanese Government Bonds**

### **Section 1 General Rules**

(Ownership of Rights)

Article 88 The ownership of rights (other than a claim for interest prescribed in Article 98) under a Japanese government bond which is designated by the Minister of Finance as being subject to the provisions of this Act and which is handled by a Book-Entry Transfer Institution (hereinafter referred to as a "Book-Entry Transfer JGB") is established by the entries or records in a book-entry transfer account register as under the provisions of this Chapter.

(Non-issuance of Japanese Government Bond Certificates)

Article 89 (1) Japanese government bond certificates may not be issued for Book-Entry Transfer JGBs.

(2) Notwithstanding the preceding paragraph, if a Book-Entry Transfer Institution that handles Book-Entry Transfer JGBs has its Article 3, paragraph (1) designation rescinded pursuant to the provisions of Article 22, paragraph (1) or its designation ceases to be effective pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the Book-Entry Transfer Services thereof; or if a Book-Entry Transfer Institution that handles Book-Entry Transfer JGBs ceases to handle those Book-Entry Transfer JGBs, the holder of such a Book-Entry Transfer JGB may ask the national government to issue a Japanese government bond certificate.

(Definitions)



Article 90 (1) The phrase "strippable book-entry transfer JGB" as used in this Chapter means a Book-Entry Transfer JGB designated by the Minister of Finance as one that a person may apply to separate into a principal portion and an interest portion (hereinafter referred to as "Bond Stripping") pursuant to the provisions of Article 93, paragraph (1).

(2) The phrase "principal-only book-entry transfer JGB" as used in this Chapter means a Book-Entry Transfer JGB that was the principal portion of a strippable book-entry transfer JGB that has been Stripped pursuant to the provisions of Article 93.

(3) The phrase "interest-only book-entry transfer JGB" as used in this Chapter means a Book-Entry Transfer JGB that was the interest portion of a strippable book-entry transfer JGB that has been Stripped pursuant to the provisions of Article 93.

## **Section 2 Book-Entry Transfer Account Registers**

(Information Required to Be Entered or Recorded in a Book-Entry Transfer Account Register)

Article 91 (1) A book-entry transfer account register is subdivided by account for each Participant.

(2) The account of an Account Management Institution in a book-entry transfer account register is subdivided as follows:

(i) an account in which entries or records are created for Book-Entry Transfer JGBs under which the Account Management Institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter);

(ii) an account in which entries or records are created for Book-Entry Transfer JGBs under which the Participants of the Account Management Institution or of its Subordinate Institution hold rights (hereinafter referred to as a "customer account" in this Chapter).

(3) Entries or records giving the following information are made for each account (other than customer accounts) in a book-entry transfer account register:

(i) the name and address of the Participant;

(ii) the information set forth below for the category of Japanese government bond prescribed therein (hereinafter referred to as the "issue"):

(a) for a strippable book-entry transfer JGB: an indication that it is a strippable book-entry transfer JGB, its name and code, and sufficient information to identify the interest rate and interest payment date;

(b) for a principal-only book-entry transfer JGB: an indication that it is a principal-only book-entry transfer JGB, as well as the name and code of the Book-Entry Transfer JGB before stripping;

(c) for an interest-only book-entry transfer JGB: an indication that it is an

- interest-only book-entry transfer JGB, and sufficient information to identify the interest payment date;
- (d) for any other Book-Entry Transfer JGB: its name and code.
- (iii) the amount of Book-Entry Transfer JGBs, by issue (other than as set forth in the following item);
- (iv) that the Participant in question is a pledgee, if this is the case; and the amount of Book-Entry Transfer JGBs that have been pledged thereto, by issue;
- (v) that the Participant in question is the trustee of a trust, if this is the case; and the amount of the Book-Entry Transfer JGBs as referred to in the preceding two items which constitute trust property;
- (vi) other information specified by Cabinet Order.
- (4) Entries or records giving the following information are made for each customer account in a book-entry transfer account register:
- (i) the matters set forth in items (i) and (ii) of the preceding paragraph;
- (ii) the amount of Book-Entry Transfer JGBs, by issue;
- (iii) other information specified by Cabinet Order.
- (5) If a Book-Entry Transfer Institution opens an Institution-Held Account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
- (ii) the amount of Book-Entry Transfer JGBs, by issue;
- (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one as specified by Ordinance of the Competent Ministry).

(Creating New Entries or Records upon Issuance of Book-Entry Transfer JGBs)

- Article 92 (1) On issuing Book-Entry Transfer JGBs of a particular issue, the national government must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information:
- (i) the issue of Book-Entry Transfer JGBs that it has issued;
- (ii) the names of the Participants acquiring the Book-Entry Transfer JGBs referred to in the preceding item;
- (iii) the accounts as prescribed in Article 112 for the Participants referred to in the preceding item;
- (iv) the amount of Book-Entry Transfer JGBs acquired by each Participant;
- (v) the total amount of Book-Entry Transfer JGBs and other information specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry

Transfer Institution that has been so notified must immediately take the following measures for the Book-Entry Transfer JGBs of the issue about which it has been notified:

- (i) create an entry or record showing an increase equal to the amount referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph, if the Book-Entry Transfer Institution is the one that opened the account referred to item (iii) of the preceding paragraph, in the column of the account where the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);
  - (ii) create an entry or record showing an increase equal to the amount referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant, and notify its Immediately Subordinate Institution of the information set forth in items (i) to (iv) inclusive of that paragraph, if the Book-Entry Transfer Institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), the provisions of the preceding paragraph apply *mutatis mutandis* to the Account Management Institution that has been so notified.

(Stripping Bonds)

- Article 93 (1) On receiving an application to Strip a strippable book-entry transfer JGB of a particular issue, a Book-Entry Transfer Institution, etc., pursuant to the provisions of paragraphs (5) to (7) inclusive and as indicated in the application pursuant to the provisions of paragraph (4), must enter or record the reduction and increase in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (2) The application referred to in the preceding paragraph is something that the Participant in the holding column of whose account (this excludes a customer account) the strippable book-entry transfer JGB (other than one that has been seized) has been entered or recorded is to file with its Immediately Superior Institution.
  - (3) The application referred to paragraph (1) may be made only by a person satisfying the requirements specified by the Minister of Finance.
  - (4) A Participant filing an application as referred to in paragraph (1) (hereinafter referred to as an "applicant" in this Article) must indicate in that application the issue and the amount of strippable book-entry transfer JGBs for which an

entry or record showing a reduction will need to be created.

- (5) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
  - (i) create an entry or record showing a reduction equal to the amount referred to in the preceding paragraph for the strippable book-entry transfer JGBs referred to in that paragraph; create an entry or record showing an increase equal to the amount of the Book-Entry Transfer JGBs that constitute the principal portion of those strippable book-entry transfer JGBs; and create an entry or record showing an increase equal to each of the amounts of strippable book-entry transfer JGB interest from the Book-Entry Transfer JGBs that constitute the interest portion of those strippable book-entry transfer JGBs, in the applicant's account
  - (ii) notify the Immediately Superior Institution of the issue and the amounts for which it has created entries or records of the reduction and increases referred to in the preceding item, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (6) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
  - (i) create an entry or record showing a reduction equal to the amount referred to in paragraph (4), for strippable book-entry transfer JGBs as referred to in paragraph (4); create an entry or record showing an increase equal to the amount of the Book-Entry Transfer JGBs that constitute the principal portion of those strippable book-entry transfer JGBs; and create an entry or record showing an increase equal to each of the amounts of strippable book-entry transfer JGB interest from the Book-Entry Transfer JGBs that constitute the interest portion of those strippable book-entry transfer JGBs, in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (7) The provisions of the preceding paragraph apply *mutatis mutandis* to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), once it has been so notified.

(Reconstituting Principal and Interest)

Article 94 (1) On receiving an application to reconstitute a principal-only book-

entry transfer JGB and interest-only book-entry transfer JGBs of a particular issue, a Book-Entry Transfer Institution, etc., pursuant to the provisions of paragraphs (5) to (7) inclusive and as indicated in the application pursuant to the provisions of paragraph (4), must enter or record the reduction and increase in the book-entry transfer account register that it maintains, or must notify the relevant person.

- (2) The application referred to in the preceding paragraph is something that the Participant in the holdings column of whose account (this excludes a customer account) the principal-only book-entry transfer JGB and interest-only book-entry transfer JGBs (other than one that has been seized) have been entered or recorded is to file with its Immediately Superior Institution.
- (3) The application referred to in paragraph (1) may be made only by a person satisfying the requirements prescribed in paragraph (3) of the preceding Article.
- (4) A Participant filing an application as referred to in paragraph (1) (hereinafter referred to as an "applicant" in this Article) must indicate in that application the issue and the amounts of the principal-only book-entry transfer JGB and each of the interest-only book-entry transfer JGBs for which an entry or record showing a reduction will need to be created. In such a case, the interest payment dates and the amounts of each of the interest-only book-entry transfer JGBs to which the application pertains must be the same as the interest payment dates and amounts of each of the interest portions of the strippable book-entry transfer JGB with the same name and code, and of the same amount, as the principal-only book-entry transfer JGB to which the application pertains.
- (5) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
  - (i) create entries or records in the applicant's account showing reductions equal to the amounts referred to in the first sentence of that paragraph for the principal-only book-entry transfer JGB and each of the interest-only book-entry transfer JGBs referred to in the first sentence of the preceding paragraph; and create an entry or record in the applicant's account showing an increase equal to the amount of the reduction in the principal-only book-entry transfer JGB, for a strippable book-entry transfer JGB of the same name and code as that principal-only book-entry transfer JGB;
  - (ii) notify the Immediately Superior Institution of the issue and the amounts for which it has created entries or records of the reductions and increase referred to in the preceding item, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (6) Upon being notified as referred to in item (ii) of the preceding paragraph, the

Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:

- (i) create entries or records, in the customer account subdivision under the account of the Account Management Institution that has notified it, showing reductions equal to the amounts referred to in the first sentence of paragraph (4), for the principal-only book-entry transfer JGB and each of the interest-only book-entry transfer JGBs referred to in the first sentence of that paragraph; and create an entry or record, in the customer account subdivision under the account of the Account Management Institution that has notified it, showing an increase equal to the amount of the reduction in the principal-only book-entry transfer JGB, for a strippable book-entry transfer JGB of the same name and code as that principal-only book-entry transfer JGB;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of the item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (7) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

#### (Making Book-Entries)

- Article 95 (1) On receiving an application for a book-entry transfer involving Book-Entry Transfer JGBs of a particular issue, a Book-Entry Transfer Institution, etc., pursuant to the provisions of paragraphs (4) to (8) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction or increase in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (2) The application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record of a reduction is to file with its Immediately Superior Institution.
  - (3) A Participant filing an application as referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
    - (i) the issue and the amount of Book-Entry Transfer JGBs for which entries or records showing a reduction and increase will need to be created when the book-entry transfer is effected;
    - (ii) whether the reduction will be entered or recorded in the holdings column of

- the applicant's account or in the column of the applicant's account where the information set forth in Article 91, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
- (iii) the account in which an entry or record showing an increase will need to be created (this excludes a customer account; hereinafter referred to as the "transferee account" in this Article);
- (iv) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (this excludes the Institution-Held Account).
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
- (i) create an entry or record showing a reduction equal to the amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book-entry transfer" in this Article), in either the holdings column or the pledge column of the Participant's account, as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
- (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of items (i), (iii) and (iv) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is not the Common Immediately Superior Institution for the book-entry transfer;
- (iii) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in either the holdings column or the pledge column of the transferee account (hereinafter referred to as the "transferee column" in this Article), as indicated pursuant to the provisions of item (iv) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
- (iv) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution, etc.'s Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information indicated pursuant to the provisions of items (i), (iii) and (iv) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:

- (i) create an entry or record showing a reduction equal to the amount subject to book-entry transfer in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (i) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is not the Common Immediately Superior Institution for the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the amount subject to book-entry transfer in the transferee column of the transferee account, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution, etc.'s Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of item (i) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (7) Upon being notified as referred to in paragraph (4), item (iv) or paragraph (5), item (iv) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph), the Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the transferee column of the transferee account, if the Account Management Institution is the one that opened the transferee account;
  - (ii) create an entry or record showing an increase equal to the amount subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of



- paragraph (4), item (iv) or paragraph (5), item (iv), if the Account Management Institution is not the one that opened the transferee account.
- (8) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.

(Making Deletions)

- Article 96 (1) On receiving an application for the deletion of a Book-Entry Transfer JGB of a particular issue, a Book-Entry Transfer Institution, etc., pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (2) The application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the reduction resulting from the deletion will be entered or recorded is to file with its Immediately Superior Institution.
- (3) A Participant filing an application as referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
- (i) the issue and the amount of Book-Entry Transfer JGBs for which an entry or record showing a reduction will need to be created when the deletion is effected;
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the applicant's account;
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
- (i) create an entry or record showing a reduction equal to the amount referred to in item (i) of the preceding paragraph, in either the holdings column or the pledge column of the applicant's account, as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the amount referred to in paragraph (3), item (i) in the customer account subdivision under the

- account of the Account Management Institution that has notified it;
- (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (7) The national government may demand that, in exchange for the government redeeming Book-Entry Transfer JGBs (or paying interest, if the bonds are interest-only book-entry transfer JGBs), the bondholder or pledgee thereof file an application with its Immediately Superior Institution to enter a deletion for the Book-Entry Transfer JGBs of that issue which appear on its account, deleting the same amount from the account as the amount of the Book-Entry Transfer JGBs that are being redeemed.

(Changing Entries or Records)

Article 97 If a Book-Entry Transfer Institution, etc. learns of a change having arisen with respect to information as set forth in one of the items of Article 91, paragraph (3), (4) or (5) in connection with the book-entry transfer account register that it maintains, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book Entry Transfer**

(Transfer of Book-Entry Transfer JGBs)

Article 98 A transfer of Book-Entry Transfer JGBs (other than a claim for interest due free from seizure (other than an interest-only book-entry transfer JGB); the same applies in the following Article through Article 102) does not take effect unless the transferee has had an entry or record created in the holdings column of its account (or in the column where the information set forth in Article 91, paragraph (5), item (ii) is entered or recorded, for the Institution-Held Account), based on an application for book-entry transfer, showing an increase equal to the amount of the Book-Entry Transfer JGBs subject to the transfer.

(Pledges of Book-Entry Transfer JGBs)

Article 99 A pledge of Book-Entry Transfer JGBs does not take effect unless the pledgee has an entry or record created in the pledge column of its account, based on an application for book-entry transfer, showing an increase equal to

the amount of the Book-Entry Transfer JGBs subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer JGBs That Are Trust Property)

Article 100 (1) Unless an entry or record has been created for a Book-Entry Transfer JGB in a book-entry transfer account register pursuant to the provisions of Article 91, paragraph (3), item (v), indicating that the JGB is trust property, it is not permissible to assert against a third party that the JGB is trust property.

(2) An entry or record in a book-entry transfer account register as prescribed in the preceding paragraph is created pursuant to the provisions of Cabinet Order.

(Participants' Presumed Rights)

Article 101 A Participant is presumed to be the lawful holder of the rights under a Book-Entry Transfer JGB that has been entered or recorded in the account thereof (but only in its own account, if the Participant is an Account Management Institution).

(Acquisition in Good Faith)

Article 102 A Participant (or a Book-Entry Transfer Institution with an Institution-Held Account) that has had an entry or record created in its account (but only in its own account, if it is an Account Management Institution), based on an application for book-entry transfer, showing an increase in Book-Entry Transfer JGBs of a particular issue acquires the rights associated with the entry or record showing the increase in the Book-Entry Transfer JGBs of that issue; provided, however that this does not apply if the Participant has acted in bad faith or with gross negligence.

(Book-Entry Transfer Institution's Obligations If There Are Entries or Records of Overages)

Article 103 (1) If the total amount of the Book-Entry Transfer JGBs of a particular issue that all bondholders hold based on acquisitions of Book-Entry Transfer JGBs under the preceding Article (other than strippable book-entry transfer JGBs, principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs; hereinafter the same applies to Article 106 inclusive) comes to exceed the total issued amount of Book-Entry Transfer JGBs of that issue, and the aggregate amount referred to in item (i) exceeds the total issued amount which is referred to in item (ii), the Book-Entry Transfer Institution has a duty to acquire Book-Entry Transfer JGBs in that issue until its holdings reach the amount of the overage (meaning the aggregate amount referred to in item (i), less the total issued amount which is referred to in item (ii)):

- (i) the aggregate amount of Book-Entry Transfer JGBs of that issue which have been entered or recorded in the accounts of the Participants of the Book-Entry Transfer Institution, in the book-entry transfer account register maintained by the Book-Entry Transfer Institution;
  - (ii) the total issued amount (other than any amount that has been redeemed) of Book-Entry Transfer JGBs of that issue.
- (2) If there is any amount as prescribed in item (i) of the preceding paragraph for which an entry or record showing an increase or reduction has been created in an account as prescribed in that item, but the rights associated with that entry or record have not arisen, been transferred, or been extinguished, and it is proven that nobody has acquired Book-Entry Transfer JGBs pursuant to the provisions of the preceding Article in the amount for which the entry or record has been created, that amount is treated as if the entry or record had not been created.
- (3) Once a Book-Entry Transfer Institution acquires Book-Entry Transfer JGBs pursuant to the provisions of paragraph (1), it has a duty to immediately manifest its intention to the national government to be bound by its release of the government from all obligations related to those Book-Entry Transfer JGBs.
- (4) The rights under the Book-Entry Transfer JGBs prescribed in the preceding paragraph are extinguished once an intention to be bound by a release is manifested pursuant to that paragraph.
- (5) Once a Book-Entry Transfer Institution manifests its intention to be bound by a release pursuant to the provisions of paragraph (3) with respect to Book-Entry Transfer JGBs, it must immediately enter deletions for those Book-Entry Transfer JGBs in the book-entry transfer account register.

(Account Management Institutions' Obligations If There Are Entries or Records of Overages)

- Article 104 (1) In a case as prescribed in paragraph (1) of the preceding Article, if there is an Account Management Institution in connection with which the total amount referred to in item (i) comes to exceed the amount referred to in item (ii), the Account Management Institution has a duty to manifest its intention to the national government to be bound by its release of the government from all obligations related to Book-Entry Transfer JGBs of that issue in an amount equal to the overage (meaning the total amount referred to in item (i), less the amount referred to in item (ii)):
- (i) the total amount of Book-Entry Transfer JGBs of that issue entered or recorded in the accounts of the Participants of the Account Management Institution, in the book-entry transfer account register maintained by that Account Management Institution;
  - (ii) the amount of Book-Entry Transfer JGBs of that issue which have been

entered or recorded in the customer account subdivision under the account of the Account Management Institution, in the book-entry transfer account register maintained by its Immediately Superior Institution.

- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to:
  - (i) the amount prescribed in item (i) of the preceding paragraph;
  - (ii) the amount set forth in item (ii) of the preceding paragraph, if an entry or record showing an increase or reduction has been created in a customer account as prescribed in that item but the rights associated with that entry or record have not arisen, been transferred, or been extinguished.
- (3) In a case as referred to in paragraph (1), if the Account Management Institution does not hold Book-Entry Transfer JGBs of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, it has a duty to acquire Book-Entry Transfer JGBs in that issue until its holdings reach the amount of the overage, before manifesting its intention to be bound by a release under the provisions of that paragraph..
- (4) Once an Account Management Institution manifests its intention to be bound by a release pursuant to the provisions of paragraph (1), it must immediately notify its Immediately Superior Institution:
  - (i) that it has manifested the intention to be bound by the release;
  - (ii) of the issue and the amount of Book-Entry Transfer JGBs with respect to which it has manifested the intention to be bound by the release.
- (5) Upon being notified as referred to in the preceding paragraph, the Immediately Superior Institution referred to in that paragraph must immediately create the following entries or records regarding Book-Entry Transfer JGBs as referred to in item (ii) of that paragraph, in the book-entry transfer account register that it maintains:
  - (i) an entry or record under the account of the Account Management Institution referred to in that paragraph in the subdivision for the institution's own account, showing a reduction equal to the amount referred to in item (ii) of the preceding paragraph;
  - (ii) an entry or record in the customer account subdivision under the account referred to in the preceding item, showing an increase equal to the amount referred to in item (ii) of the preceding paragraph.

(Handling in the Event of Book-Entry Transfer Institution's Non-performance of Obligations as Regards Entries or Records of Overages)

Article 105 (1) In a case as prescribed in Article 103, paragraph (1), until the Book-Entry Transfer Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, the national government does not have a duty to redeem the principal or pay

interest on the part of the Book-Entry Transfer JGBs of the relevant issue that any of the bondholders holds which corresponds to the amount arrived at when the percentage of the total amount referred to in item (ii) that the amount referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount of the overage less any amount representing partial performance of the obligation referred to in paragraph (3) of that Article) prescribed in paragraph (1) of that Article (hereinafter referred to as the "maximum amount ascribable to the book-entry transfer institution" in this Article):

- (i) the amount of Book-Entry Transfer JGBs of that issue that the bondholder holds (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount of Book-Entry Transfer JGBs of that issue that the bondholder holds less the maximum amount ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder (but only in respect of the holder of a Book-Entry Transfer JGB that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total amount of Book-Entry Transfer JGBs of that issue that all bondholders hold (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, that total amount less the total of the maximum amounts ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) In the case prescribed in Article 103, paragraph (1), the Book-Entry Transfer Institution prescribed in that paragraph assumes the following duties toward each bondholder:
- (i) in a case as referred to in the preceding paragraph, the duty to redeem the principal and pay interest, in lieu of the issuer, on the part of the Book-Entry Transfer JGBs of the relevant issue that each bondholder holds, up to the maximum amount ascribable to the book-entry transfer institution;

- (ii) the duty to indemnify the bondholder for any damage caused by non-performance of obligations as referred to in Article 103, paragraph (1) or (3), beyond what is set forth in the preceding item.

(Handling in the Event of Account Management Institutions' Non-performance of Obligations as Regards Entries or Records of Overages)

Article 106 (1) In a case as prescribed in Article 104, paragraph (1), until the Account Management Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, the national government does not have a duty to redeem the principal or pay interest on the part of the Book-Entry Transfer JGBs of the relevant issue that a holder (but only the holder of a book-entry transfer JGB that has been entered or recorded in an account opened by that Account Management Institution or by its Subordinate Institution) holds which corresponds to the amount arrived at when the percentage of the total amount referred to in item (ii) that the amount referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount of the overage less any amount representing partial performance of the obligation referred to in that paragraph) prescribed in that paragraph (hereinafter referred to as the "maximum amount ascribable to the account management institution" in this Article):

- (i) the amount of Book-Entry Transfer JGBs of that issue that the bondholder holds (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer JGBs of that issue pursuant to the provisions of Article 104, paragraph (1), the amount of Book-Entry Transfer JGBs of that issue that the bondholder holds less the maximum amount ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder (but only in respect of the holder of a Book-Entry Transfer JGB that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
- (ii) the total amount of Book-Entry Transfer JGBs of that issue held by all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by that Account Management Institution or by its Subordinate Institution (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer JGBs of that issue pursuant to the provisions of Article 104, paragraph (1), that total amount less the total of the maximum amounts ascribable to the account

management institution that constitutes that Subordinate Institution, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).

- (2) In the case prescribed in Article 104, paragraph (1), the Account Management Institution prescribed in that paragraph assumes the following duties toward a bondholder as prescribed in the preceding paragraph:
- (i) in a case as referred to in the preceding paragraph, the duty to redeem the principal and pay interest, in lieu of the issuer, on the part of the Book-Entry Transfer JGBs of the relevant issue that a bondholder as prescribed in the preceding paragraph holds, up to the maximum amount ascribable to the account management institution;
  - (ii) the duty to indemnify the bondholder for any damage caused by non-performance of obligations as referred to in Article 104, paragraph (1) or (3), beyond what is set forth in the preceding item.

(Book-Entry Transfer Institution's Obligations As Regards Strippable and Stripped Book-Entry Transfer JGBs If There Are Entries or Records of Overages)

Article 107 (1) If, as a result of the acquisition of strippable book-entry transfer JGBs, principal-only book-entry transfer JGBs, or interest-only book-entry transfer JGBs under the provisions of Article 102 (hereinafter referred to as "strippable and stripped book-entry transfer JGBs" up to Article 110 inclusive), the total amount, per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that all of the holders of strippable and stripped book-entry transfer JGBs would be calculated as holding if all of the strippable book-entry transfer JGBs that are held by the holders of strippable and stripped book-entry transfer JGBs were deemed to have been Stripped pursuant to the provisions of Article 93 comes to exceed the total amount, per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that is calculated when all of the strippable book-entry transfer JGBs issued are deemed to have been Stripped pursuant to the provisions of that Article for the total amount of the issuance (other than any amount that has been redeemed), and there are principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs in that issue of a total amount referred to in item (i) that would exceed the total amount referred to in item (ii), the Book-Entry Transfer Institution has a duty to acquire principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs in that issue until its holdings reach the amount of the overage (meaning the total amount referred to in item (i), less the total amount referred to in item (ii)):



- (i) the total amount, per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that would be calculated as being entered or recorded in the accounts of the Participants of the Book-Entry Transfer Institution, in the book-entry transfer account register maintained by that Book-Entry Transfer Institution, if all of the strippable book-entry transfer JGBs that have been entered or recorded in the accounts of the Participants of the Book-Entry Transfer Institution, in the book-entry transfer account register maintained by that Book-Entry Transfer Institution, were deemed to have been Stripped pursuant to the provisions of Article 93;
  - (ii) the total amount, per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs which is calculated when all of the strippable book-entry transfer JGBs issued are deemed to have been Stripped pursuant to the provisions of Article 93 for the total amount of the issuance (other than any amount that has been redeemed).
- (2) If there is any amount as prescribed in item (i) of the preceding paragraph for which an entry or record showing an increase or reduction has been created in an account as prescribed in that item, but for which the associated with that entry or record have not arisen, been transferred, or extinguished, and it is proven that nobody has acquired strippable or stripped book-entry transfer JGBs pursuant to the provisions of the preceding Article in the amount for which the entry or record has been created, that amount is treated as if the entry or record had not been created.
  - (3) In applying the provisions of paragraph (1), strippable and stripped book-entry transfer JGBs that have been acquired pursuant to the provisions of Article 102 and that are handled by Book-Entry Transfer Institution that have obtained consent as referred to in Article 13, paragraph (1) are to be calculated for each Book-Entry Transfer Institution handling them.
  - (4) Once a Book-Entry Transfer Institution acquires principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs pursuant to the provisions of paragraph (1), it has a duty to immediately manifest its intention to the national government to be bound by its release of the government from all obligations related to those principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs.
  - (5) The rights under the principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs prescribed in the preceding paragraph are extinguished once an intention to be bound by a release is manifested pursuant to that paragraph.
  - (6) Once a Book-Entry Transfer Institution manifests its intention to be bound by a release pursuant to the provisions of paragraph (4) with respect to principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs, it must immediately enter deletions for those principal-only book-entry transfer

JGBs or interest-only book-entry transfer JGBs in the book-entry transfer account register.

(Account Management Institutions' Obligations as Regards Strippable and Stripped Book-Entry Transfer JGBs If There Are Entries or Records of Overages)

Article 108 (1) In a case as prescribed in paragraph (1) of the preceding Article, if there is an Account Management Institution with principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs in an issue for which the total amount referred to in item (i) that comes to exceed the total amount referred to in item (ii), the Account Management Institution has a duty to manifest its intention to the national government to be bound by its release of the government from all obligations related to principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs of that issue in an amount equal to the overage (meaning the total amount referred to in item (ii), less the total amount referred to in item (i)):

(i) the total amount, per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that would be calculated as being entered or recorded in the accounts of the Participants of the Account Management Institution, in the book-entry transfer account register maintained by that Account Management Institution, if all of the strippable book-entry transfer JGBs that have been entered or recorded in the accounts of the Participants of that Account Management Institution, in the book-entry transfer account register maintained by that Account Management Institution, were deemed to have been Stripped pursuant to the provisions of Article 93;

(ii) the total amount, per issue, of principal-only book-entry transfer JGBs and interest-only book-entry transfer JGBs that would be calculated as being entered or recorded in the customer account subdivision under the account of the Account Management Institution, in the book-entry transfer account register maintained by its Immediately Superior Institution, if all of the strippable book-entry transfer JGBs entered or recorded in the customer account subdivision under the account of that Account Management Institution, in the book-entry transfer account register maintained by the Immediately Superior Institution of that Account Management Institution, are deemed to have been Stripped pursuant to the provisions of Article 93.

(2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to:

(i) the amount prescribed in item (i) of the preceding paragraph;

(ii) the amount set forth in item (ii) of the preceding paragraph, if an entry or record showing an increase or reduction has been created in a customer

account as prescribed in that item but the rights associated with that entry or record have not arisen, been transferred, or been extinguished.

- (3) In a case as referred to in paragraph (1), if the Account Management Institution does not hold principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, it has a duty to acquire principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs in that issue until its holdings reach the amount of the overage, before manifesting its intention to be bound by a release under the provisions of that paragraph..
- (4) Once an Account Management Institution manifests its intention to be bound by a release pursuant to the provisions of paragraph (1), it must immediately notify its Immediately Superior Institution:
  - (i) that it has manifested the intention to be bound by the release;
  - (ii) of the issue and the amount of principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs with respect to which it has manifested the intention to be bound by the release.
- (5) Upon being notified as referred to in the preceding paragraph, the Immediately Superior Institution referred to in that paragraph must immediately create the following entries or records regarding principal-only book-entry transfer JGBs or interest-only book-entry transfer JGBs of the issue set forth in item (ii) of that paragraph, in the book-entry transfer account register that it maintains:
  - (i) an entry or record under the account of the Account Management Institution referred to in that paragraph in the subdivision for the institution's own account, showing a reduction equal to the amount referred to in item (ii) of the preceding paragraph;
  - (ii) an entry or record in the customer account subdivision under the account referred to in the preceding item, showing an increase equal to the amount referred to in item (ii) of the preceding paragraph.

(Handling in the Event of Book-Entry Transfer Institution's Non-performance of Obligations as Regards Entries or Records of Overages Involving Strippable and Stripped Book-Entry Transfer JGBs)

Article 109 (1) If a Book-Entry Transfer Institution as prescribed in Article 107, paragraph (1) has the obligations referred to in that paragraph and paragraph (4) of that Article as regards principal-only book-entry transfer JGBs in a case as prescribed in paragraph (1) of that Article, the national government does not have a duty to redeem the principal on the part of the principal-only book-entry transfer JGBs of the relevant issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer

JGBs of that issue that any of the bondholders holds which corresponds to the amount arrived at when the percentage of the total amount referred to in item (ii) that the amount referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount of the overage less any amount representing partial performance of the obligation referred to in paragraph (4) of that Article) (hereinafter referred to as the "maximum amount of principal ascribable to the book-entry transfer institution" in this Article) until the Book-Entry Transfer Institution fully performs those obligations:

- (i) the amount of principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that the bondholder holds (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to principal-only book-entry transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the amount of such JGBs less the maximum amount of principal ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder (but only in respect of the holder of a Book-Entry Transfer JGB that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total amount of principal-only, book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that all of the bondholders hold (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to principal-only book-entry transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, that total amount less the total of the maximum amounts of principal ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) If a Book-Entry Transfer Institution prescribed in Article 107, paragraph (1) has the obligations referred to in that paragraph and paragraph (4) of that Article as regards interest-only book-entry transfer JGBs in a case as prescribed in paragraph (1) of that Article, the national government does not

have a duty to pay the part of the interest on the interest-only book-entry transfer JGBs of the relevant issue that any of the bondholders holds (but only those handled by the Book-Entry Transfer Institution, the same applies in this and the following Article), nor on all strippable book-entry transfer JGBs (but only those handled by the Book-Entry Transfer Institution, the same applies in this and the following Article) with the same interest payment date as the interest-only book-entry transfer JGBs of that issue that any of the bondholders holds, which corresponds to the amount arrived at when the percentage of the total amount referred to in item (ii) that the total amount referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount of the overage less any amount representing partial performance of the obligation referred to in paragraph (4) of that Article) (hereinafter referred to as the "maximum amount of interest ascribable to the book-entry transfer institution" in this Article), until the Book-Entry Transfer Institution fully performs the obligations referred to in that paragraph and paragraph (4) of that Article:

- (i) the total amount of interest on interest-only book-entry transfer JGBs of that issue and all strippable book-entry transfer JGBs with the same interest payment date as the interest-only book-entry transfer JGBs of that issue that the bondholder holds (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to interest-only book-entry transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the total amount of such interest less the maximum amount of interest ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (2) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder (but only in respect of the holder of a Book-Entry Transfer JGB that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution);
- (ii) the total amount of interest on interest-only book-entry transfer JGBs of that issue and all the strippable book-entry transfer JGBs with the same interest payment date as the interest-only book-entry transfer JGBs of that issue that all bondholders hold (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to interest-only book-entry transfer JGBs of that issue pursuant to the provisions of paragraph (1) of the preceding Article, that total amount less the total of the maximum amounts of interest ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (2) of the following

Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).

(3) In the case prescribed in Article 107, paragraph (1), the Book-Entry Transfer Institution prescribed in that paragraph assumes the following duties toward each bondholder:

(i) in a case as referred to in paragraph (1), the duty to redeem the principal, in lieu of the national government, on the part of the principal-only book-entry transfer JGBs of the relevant issue and strippable book-entry transfer JGBs of the same name and code as the principal-only book-entry transfer JGB of that issue which each bondholder holds, up to the maximum amount of principal ascribable to the book-entry transfer institution;

(ii) in a case as referred to in the preceding paragraph, the duty to pay interest, in lieu of the national government, on the part of the interest on all interest-only book-entry transfer JGBs of the relevant issue and strippable book-entry transfer JGBs with the same name and code as the interest-only book-entry transfer JGBs of that issue which each bondholder holds and which corresponds to the maximum amount of interest ascribable to the book-entry transfer institution;

(iii) the duty to indemnify the bondholder for any damage caused by non-performance of obligations as referred to in Article 107, paragraph (1) or (4) beyond what is set forth in the preceding two items

(Handling in the Event of Account Management Institutions' Non-performance of Obligations as Regards Entries or Records of Overages Involving Strippable and Stripped Book-Entry Transfer JGBs)

Article 110 (1) If an Account Management Institution as prescribed in Article 108, paragraph (1) has the obligations referred to in that paragraph and paragraph (3) of that Article as regards principal-only book-entry transfer JGBs in a case as prescribed in paragraph (1) of that Article, the national government does not have a duty to redeem the principal on the part of the principal-only book-entry transfer JGBs of the relevant issue that a holder holds (but only by the holder of a book-entry transfer JGB entered or recorded in the account opened by the Account Management Institution or by its Subordinate Institution), nor on the part of the strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that the holder holds, which corresponds to the amount arrived at when the percentage of the total amount referred to in item (ii) that the amount referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount of the

overage less any amount representing partial performance of the obligation referred to in that paragraph) (hereinafter referred to as the "maximum amount of principal ascribable to the account management institution" in this Article), until the Account Management Institution fully performs those obligations:

- (i) the amount of principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue that the bondholder holds (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to principal-only book-entry transfer JGBs of that issue pursuant to the provisions of that paragraph, the amount of such JGBs less the maximum amount of principal ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in Article 108, paragraph (1) in respect of that bondholder (but only in respect of the holder of a Book-Entry Transfer JGB that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total amount of principal-only book-entry transfer JGBs of that issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue held by all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by the Account Management Institution or by its Subordinate Institution (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to principal-only book-entry transfer JGBs of that issue pursuant to the provisions of that paragraph, that total amount less the total of the maximum amounts of principal ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in Article 108, paragraph (1) of the preceding Article in respect of all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) If an Account Management Institution prescribed in Article 108, paragraph (1) has a duty as referred to in that paragraph and paragraph (3) of that Article as regards interest-only book-entry transfer JGBs in the case prescribed in paragraph (1) of that Article, the national government does not have a duty to pay the part of the interest on the interest-only book-entry transfer JGBs of that issue that a holder holds (but only by the holder of a book-entry transfer JGB entered or recorded in the account opened by the Account Management Institution or by its Subordinate Institution), nor the

part of the interest on all strippable book-entry transfer JGBs with the same interest payment date as the interest-only book-entry transfer JGBs of that issue that the holder holds, which corresponds to the amount arrived at when the percentage of the total amount referred to in item (ii) that the amount referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the amount of the overage less any amount representing partial performance of the obligation referred to in that paragraph) (hereinafter referred to as the "maximum amount of interest ascribable to the account management institution" in this Article), until the Account Management Institution fully performs those obligations:

- (i) the amount of interest on interest-only book-entry transfer JGBs of that issue and all strippable book-entry transfer JGBs with the same interest payment date as the interest-only book-entry transfer JGBs of that issue that the bondholder holds (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to interest-only book-entry transfer JGBs of that issue pursuant to the provisions of Article 108, paragraph (1), the amount of such interest less the maximum amount of interest ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of that bondholder (but only in respect of the holder of a Book-Entry Transfer JGB that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total amount of interest on interest-only book-entry transfer JGBs of that issue and all strippable book-entry transfer JGBs with the same interest payment date as the interest-only book-entry transfer JGBs of that issue held by all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by the Account Management Institution or by its Subordinate Institution (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer JGBs of that issue pursuant to the provisions of Article 108, paragraph (1), that total amount of interest less the total of the maximum amounts of interest ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of all of the holders of Book-Entry Transfer JGBs that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (3) In the case prescribed in Article 108, paragraph (1), the Account Management Institution prescribed in that paragraph assumes the following duties toward a bondholder as prescribed in the preceding two paragraphs:



- (i) in a case as referred to in paragraph (1), the duty to redeem the principal, in lieu of the national government, on the part of the principal-only book-entry transfer JGBs of the relevant issue and strippable book-entry transfer JGBs with the same name and code as the principal-only book-entry transfer JGBs of that issue which a bondholder as prescribed in paragraph (1) holds, up to the maximum amount of principal ascribable to the account management institution;
- (ii) in a case as referred to in in the preceding paragraph, the duty to pay interest, in lieu of the national government, on the part the interest on all interest-only book-entry transfer JGBs of the relevant issue and strippable book-entry transfer JGBs with the same name and code as the interest-only book-entry transfer JGBs of that issue which a bondholder as prescribed in the preceding paragraph holds, up to the maximum amount of interest ascribable to the account management institution;
- (iii) the duty to indemnify the bondholder for any damage caused by non-performance of obligations as referred to in Article 108, paragraph (1) or (3), beyond what is set forth in the preceding two items.

(Handling If the National Government Redeems Book-Entry Transfer JGBs in Error)

- Article 111 (1) Even if the national government is acting in good faith, its redemption of principal or payment of interest, in an amount that it does not have the duty to redeem or pay, for an issue that the provisions of Article 105, paragraph (1), Article 106, paragraph (1), Article 109, paragraph (1) or (2), or paragraph (1) or (2) of the preceding Article establish the national government as not having a duty to redeem or pay does not have the effect of extinguishing its obligations with respect to other Book-Entry Transfer JGBs of that issue.
- (2) In a case as referred to in the preceding paragraph, a holder of Book-Entry Transfer JGBs does not have a duty to return to the national government the amount of the principal redeemed or interest paid as prescribed in that paragraph.
  - (3) If the national government redeems principal or pays interest as prescribed in paragraph (1), it acquires the rights of a holder of Book-Entry Transfer JGBs under the provisions of Article 105, paragraph (2), item (i), Article 106, paragraph (2), item (i), Article 109, paragraph (3), item (i) or (ii) or paragraph (3), item (i) or (ii) of the preceding Article toward the Book-Entry Transfer Institution, etc., to the extent of the amount prescribed in the preceding paragraph.

#### **Section 4 Miscellaneous Provisions**

Article 112 A person offering to subscribe for Book-Entry Transfer JGBs must indicate to the national government the account opened for that person in which book entries can be made for the Book-Entry Transfer JGBs, at the time of the offer.

**Chapter VI Book Entry Transfer of Local Government Bonds**  
**Section 1 Book Entry Transfer of Local Government Bonds**

(Mutatis Mutandis Application of Provisions on Corporate Bonds to Local Government Bonds)

Article 113 The provisions of Chapter IV (other than Article 66, item (i), Article 69, paragraph (1), items (v) and (vi), paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2 and the provisions of Section 4) apply mutatis mutandis to local government bonds. In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 67, paragraph (1)	corporate bond certificates	local government bond certificates (meaning the local government bond certificates prescribed in Article 705, paragraph (2) of the Companies Act, as applied mutatis mutandis pursuant to Article 5-6 of the Local Government Finance Act (Act No. 109 of 1948) following the deemed replacement of terms; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	Corporate bond certificates	Local government bond certificates
Article 68, paragraph (3), item (ii)	trade name	name
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees	the Participants that constitute the holders
Article 69, paragraph (1), item (iv)	for each Participant (other than as set forth in the following item)	for each Participant

Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (but only one that is a bondholder as referred to in that item)	of that paragraph
Article 69, paragraph (2), item (ii)	total of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond manager or a trust company under a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act	the person entrusted with a public offering or the management of local government bonds as prescribed in Article 705, paragraph (1) of the Companies Act, as applied mutatis mutandis pursuant to Article 5-6 of the Local Government Finance Act following the deemed replacement of terms
	bond manager or similar person	person entrusted with the public offering or similar duty
Article 71, paragraph (8)	bond manager or similar person	person entrusted with the public offering or similar duty
Article 80, paragraph (1), and Article 81, paragraph (1)	this Article and Article 85	this Article

(Clear Indication of the Application of This Act)

Article 114 (1) The issuer of local government bonds handled by a Book-Entry Transfer Institution must clearly indicate to a person offering to subscribe for those bonds that this Act applies to those bonds; provided, however, that this does not apply to a person subscribing for the full amount of those local government bonds based on a contract.

(2) A person offering to subscribe for local government bonds handled by a Book-Entry Transfer Institution must indicate to the issuer the account opened for that person in which book entries can be made for the local government bonds,

at the time of the offer.

## Section 2 Book Entry Transfer of Investment Corporation Bonds

(Mutatis Mutandis Application of Provisions on Corporate Bonds to Investment Corporation Bonds)

Article 115 The provisions of Chapter IV (other than Article 66, item (i), sub-items (a) to (d) inclusive, Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 83, Article 84, paragraph (4), Article 86-2 and Article 86-3) apply mutatis mutandis to investment corporation bonds (meaning investment corporation bonds as prescribed in Article 2, paragraph (17) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter). In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 66, item (i)	a corporate bond that satisfies all of the following requirements (referred to as a "short-term corporate bond" in Article 83):	a short-term investment corporation bonds prescribed in Article 139-12, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 67, paragraph (1)	Corporate bond certificates	Investment corporation bond certificates (meaning investment corporation bond certificates as prescribed in Article 2, paragraph (18) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	investment corporation bond certificate
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees	the Participants that constitute the holders
Article 69, paragraph (1), item (iv)	for each Participant (other than as set forth in the following item);	for each Participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (but only one that is a bondholder as referred to in that item),	of that paragraph,

Article 69, paragraph (2), item (ii)	total of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in under item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond manager or	the investment corporation bonds manager (meaning an investment corporation bonds manager as prescribed in Article 139-8 of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) or
	bond manager or similar person	investment corporation bonds manager or similar person
Article 71, paragraph (8)	bond manager or similar person	investment corporation bonds manager or similar person
Article 84, paragraph (1)	Article 677, paragraph (1) of the Companies Act	Article 139-4, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 84, paragraph (2)	corporate bond register	investment corporation bond register (meaning the investment corporation bond register prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 139-7 of the Act on Investment Trusts and Investment Corporations following the deemed replacement of terms)
Article 84, paragraph (3)	Article 677, paragraph (2) of the Companies Act	Article 139-4, paragraph (2) of the Act on Investment Trusts and Investment Corporations
	Article 679	Article 139-6

Article 85, paragraph (1)	bondholders meeting	meeting of investment corporation bondholders (meaning a meeting of investment corporation bondholders as prescribed in Article 139-10, paragraph (1) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter)
Article 86, paragraph (1)	bondholders meeting	meeting of investment corporation bondholders
Article 86, paragraph (1), item (i)	bond manager	investment corporation bonds manager
Article 86, paragraph (2)	bondholders meeting	meeting of investment corporation bondholders

(Special Provisions of the Act on Investment Trusts and Investment Corporations concerning Book-Entry Transfer Investment Corporation Bonds)

Article 116 In applying the provisions of Article 196, paragraphs (1) and (2), Article 197 and Article 219 of the Act on Investment Trusts and Investment Corporations to investment corporation bonds handled by a Book-Entry Transfer Institution (hereinafter referred to as "Book-Entry Transfer Investment Corporation Bonds"), a Book-Entry Transfer Investment Corporation Bond is deemed to be an investment corporation bond certificate as prescribed in that Act which is among the investment securities, etc. prescribed in that Act.

(Exclusion of Book-Entry Transfer Investment Corporation Bonds from Application of the Act on Investment Trusts and Investment Corporations)

Article 116-2 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) to (3) inclusive, Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) to (3) inclusive of the Companies Act as applied mutatis mutandis pursuant to Article 139-7 of the Act on Investment Trusts and Investment Corporations do not apply to Book-Entry Transfer Investment Corporation Bonds.

### **Section 3 Book Entry Transfer of Bonds Issued by Mutual Companies**

(Mutatis Mutandis Application of Provisions on Corporate Bonds to Bonds Issued by Mutual Companies)

Article 117 The provisions of Chapter IV (other than Article 66, item (i), sub-

items (a) to (d) inclusive, Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), Sub-items (b) and (c), Article 69-2, Article 70-2, Article 83, Article 84, paragraph (4), Article 86-2 and Article 86-3) apply mutatis mutandis to a corporate bond issued by a mutual company (meaning a corporate bond as prescribed in Article 61 of the Insurance Business Act; the same applies hereinafter). In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 66, item (i)	a corporate bond that satisfies all of the following requirements (referred to as a "short-term corporate bond" in Article 83):	a short-term corporate bond as prescribed in Article 61-10, paragraph (1) of the Insurance Business Act
Article 67, paragraph (1)	Corporate bond certificates	Corporate bond certificates (meaning company bond certificates as prescribed in Article 61, item (vi) of the Insurance Business Act; the same applies hereinafter)
Article 68, paragraph (3), item (ii)	trade name	name
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees	the Participants that constitute the holders
Article 69, paragraph (1), item (iv)	for each Participant (other than as set forth in the following item);	for each Participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (but only one that is a bondholder as referred to in that item),	of that paragraph
Article 69, paragraph (2), item (ii)	total of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amounts referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)

Article 70, paragraph (3), item (ii)	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond manager or	a corporate bond manager (meaning a corporate bond manager as prescribed in Article 61-6 of the Insurance Business Act; the same applies hereinafter) or
Article 84, paragraph (1)	Article 677, paragraph (1) of the Companies Act	Article 61-2, paragraph (1) of the Insurance Business Act
Article 84, paragraph (2)	corporate bond register	corporate bond register (meaning the corporate bond register prescribed in Article 681 of the Companies Act, as applied mutatis mutandis pursuant to Article 61-5 of the Insurance Business Act)
Article 84, paragraph (3)	Article 677, paragraph (2) of the Companies Act	Article 61-2, paragraph (2) of the Insurance Business Act
	Article 679	Article 61-4
Article 85, paragraph (1)	bondholders meeting	bondholders meeting (meaning a bondholders meeting as prescribed in Article 61-8, paragraph (1) of the Insurance Business Act; the same applies hereinafter)

(Exclusion of Bonds Issued by Mutual Companies Which Book-Entry Transfer Institution Handle from Application of the Insurance Business Act)

Article 117-2 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) to (3) inclusive, Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) to (3) inclusive of the Companies Act as applied mutatis mutandis pursuant to Article 61-5 of the Insurance Business Act do not apply to bonds issued by a mutual company which a Book-Entry Transfer Institution handles.

#### **Section 4 Book Entry Transfer of Specified Corporate Bonds**

(Mutatis Mutandis Application of the Provisions on Corporate Bonds to



Specified Corporate Bonds)

Article 118 The provisions of Chapter IV (other than Article 66, item (i), sub-items (a) to (d), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 83, Article 84, paragraph (4), Article 86-2 and Article 86-3) apply mutatis mutandis to specified corporate bonds (meaning specified corporate bonds as prescribed in Article 2, paragraph (7) of the Act on Securitization of Assets, and excluding convertible specified corporate bonds (meaning convertible specified corporate bonds as prescribed in Article 131, paragraph (1) of that Act; the same applies hereinafter) and specified corporate bonds with subscription rights for new preferred equity investment (meaning specified corporate bonds with subscription rights for new preferred equity investment as prescribed in Article 139, paragraph (1) of that Act; the same applies hereinafter); the same applies hereinafter). In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 66, item (i)	a corporate bond that satisfies all of the following requirements (referred to as a "short-term corporate bond" in Article 83):	a specified short-term company bond as prescribed in Article 2, paragraph (8) of the Act on Securitization of Assets
Article 67, paragraph (1)	Corporate bond certificates	Specified corporate bond certificates (meaning the specified corporate bond certificates as prescribed in Article 2, paragraph (9) of the Act on Securitization of Assets; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	specified corporate bond certificate
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees	the Participants that constitute the holders
Article 69, paragraph (1), item (iv)	for each Participant (other than as set forth in the following item);	for each Participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (but only one that is a bondholder as referred to in that item),	of that paragraph

Article 69, paragraph (2), item (ii)	total of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond manager or	a specified corporate bonds manager (meaning a the specified corporate bonds manager as prescribed in Article 126 of the Act on Securitization of Assets; the same applies hereinafter) or
	bond manager or similar person	specified corporate bonds manager or similar person
Article 71, paragraph (8)	bond manager or similar person	specified corporate bonds manager or similar person
Article 84, paragraph (1)	Article 677, paragraph (1) of the Companies Act	Article 122, paragraph (1) of the Act on Securitization of Assets
Article 84, paragraph (2)	corporate bond register	specified corporate bond register (meaning the specified corporate bond register prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on Securitization of Assets following the deemed replacement of terms; the same applies hereinafter)
Article 84, paragraph (3)	Article 677, paragraph (2) of the Companies Act	Article 122, paragraph (2) of the Act on Securitization of Assets
	Article 679	Article 124
Article 85, paragraph (1)	bondholders meeting	meeting of specified company bondholders (meaning a meeting of specified corporate bondholders as prescribed in Article 129, paragraph (1) of the Act on Securitization of Assets; the same applies hereinafter)

Article 86, paragraph (1)	bondholders meeting	meeting of specified corporate bondholders
Article 86, paragraph (1), item (i)	bond manager	specified corporate bonds manager
Article 86, paragraph (2)	bondholders meeting	meeting of specified corporate bondholders

(Exclusion of Specified Corporate Bonds That Book-Entry Transfer Institution Handle from Application of the Act on Securitization of Assets)

Article 119 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) to (3) inclusive, Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) to (3) inclusive of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on Securitization of Assets do not apply to specified corporate bonds that a Book-Entry Transfer Institution handles.

**Section 5 Book Entry Transfer of Special Corporation Bonds**

Article 120 The provisions of Chapter IV (other than Article 66, item (i), sub-items (a) to (d), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2 and Section 4) and Article 114 apply mutatis mutandis to special corporation bonds (meaning the rights required to be indicated on bond certificates issued by a corporation pursuant to a special Act). In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 66, item (i)	a corporate bond that satisfies all of the following requirements (referred to as a "short-term corporate bond" in Article 83):	rights required to be indicated on the short-term bonds prescribed in Article 54-4, paragraph (1) of the Shinkin Bank Act (Act No. 238 of 1951) or the short-term Norinchukin Bank bonds prescribed in Article 62-2, paragraph (1) of the Norinchukin Bank Act (Act No. 93 of 2001)
Article 67	Corporate bond certificates	Bond certificates

Article 68, paragraph (3), item (ii)	trade name	name
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees	the Participants that constitute the holders
Article 69, paragraph (1), item (iv)	for each Participant (other than as set forth in the following item);	for each Participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (but only one that is a bondholder as referred to in that item),	of that paragraph
Article 69, paragraph (2), item (ii)	total of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond manager or a trust company under a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act	the person entrusted with managing the rights that are required to be indicated on bond certificates issued by the corporation pursuant to a special Act
	bond manager or similar person	special corporation bonds manager
Article 71, paragraph (8)	bond manager or similar person	special corporation bonds manager
Article 80, paragraph (1) and Article 81, paragraph (1)	this Article and Article 85	this Article

### **Section 6 Book Entry Transfer of Beneficial Interest in Domestic and Foreign Investment Trusts**

(Mutatis Mutandis Application of Provisions on Bonds and Other Securities to

Beneficial Interest in Investment Trusts)

Article 121 The provisions of Chapter IV (other than Article 66, item (i), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 71, paragraph (8) and Section 4 (other than Article 84, paragraph (2) and Article 85, paragraph (1))), Article 114, paragraph (2) and Article 155 apply mutatis mutandis to a beneficial interest in an investment trust (meaning a beneficial interest as prescribed in Article 2, paragraph (7) of the Act on Investment Trusts and Investment Corporations, and including a beneficial interest under the trust agreement of a foreign investment trust; the same applies hereinafter). In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 66	claim for interest	claim to a distribution of profits
Article 66, item (ii)	decision to issue	the basic terms and conditions of the investment trust (meaning the basic terms and conditions of an investment trust as prescribed in Article 4, paragraph (1) or Article 49, paragraph (1) of the Act on Investment Trusts and Investment Corporations)
	issued based on that decision will be subject	will be subject
Article 67, paragraph (1)	Corporate bond certificates	Beneficiary certificates (meaning beneficiary certificates as prescribed in Article 2, paragraph (7) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	beneficiary certificate

Article 68, paragraph (3), items (iii) through (v), paragraph (4), item (ii), and paragraph (5), item (ii)	amount	number of units
Article 69, paragraph (1)	without delay after the date on which it issues	if a trust has been set up for
Article 69, paragraph (1), item (i)	that it has issued	that it has placed in trust
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees of book-entry transfer corporate bonds	the Participants that will become the beneficiaries of the trust
Article 69, paragraph (1), item (iv)	the amount of book-entry transfer corporate bonds as referred to in item (i) for each Participant (other than as set forth in the following item);	the number of book-entry transfer corporate bonds as referred to in item (i) for each Participant
Article 69, paragraph (1), item (vii)	total amount	total number of units
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (but only one that is a bondholder as referred to in that item),	of that paragraph
	increase equal to the amount	increase equal to the number of units
Article 69, paragraph (2), item (ii)	increase equal to the total of the amounts referred to in items (iv) and (v) of the preceding paragraph	increase equal to the number of units
	item (vi)	item (iv)
Article 70, paragraph (1)	showing a reduction or increase	showing a reduction or increase equal to the number of units
Article 70, paragraph (2)	reduction	reduction equal to the number of units
Article 70, paragraph (3), item (i)	showing a reduction and increase	showing a reduction and increase equal to the number of units
	amount	number of units

Article 70, paragraph (3), item (ii)	reduction	reduction equal to the number of units
	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 70, paragraph (3), items (iii) and (iv)	increase	increase equal to the number of units
Article 70, paragraph (4), item (i)	the amount	the number of units
	amount subject to book entry transfer	number of units subject to book entry transfer
	reduction	reduction
Article 70, paragraph (4), items (iii) and (iv)	amount subject to book entry transfer	number of units subject to book entry transfer
	increase	increase
Article 70, paragraph (5), item (i)	amount subject to book entry transfer	number of units subject to book entry transfer
	reduction	reduction
Article 70, paragraph (5), items (iii) and (iv), and paragraph (7)	amount subject to book entry transfer	number of units subject to book entry transfer
	increase	increase
Article 71, paragraphs (1) and (2)	reduction	reduction equal to the number of units
Article 71, paragraph (3)	reduction	reduction equal to the number of units
	amount	number of units

Article 71, paragraph (4), item (i) and paragraph (5), item (i)	amount	number of units
	reduction	reduction
Article 71, paragraph (7)	Unless an issuer goes through a corporate bond manager or a trust company under a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act (referred to as a "bond manager or similar person" in the following paragraph) to redeem book-entry transfer corporate bonds for a bondholder or pledgee, the issuer may demand that	The issuer may demand that
	redeeming	redeeming or cancelling
	being redeemed	being redeemed or cancelled
	the same amount from the account as the amount of	the same number of units from the account as the number of units of
Article 73	claim for interest	claim to a distribution of profits
	showing an increase equal to the amount	showing an increase equal to the number of units
Article 74	increase	increase in the number of units
Article 77	showing an increase in	showing an increase equal to the number of units of
	the increase	the increase
Article 78, paragraph (1)	total amount	total number of units
	the total issued amount (other than any amount that has been redeemed)	the total issued units (other than any units that have been redeemed or canceled)
	aggregate amount	aggregate number of units
	total issued amount	total number of issued units
	amount of the overage	number of units in overage
	, less the total issued amount	, less the total number of issued units
	amount	number of units
Article 78, paragraph (2)	amount	number of units
	increase or reduction	increase or reduction



Article 79, paragraph (1)	aggregate amount	aggregate number of units
	amount	number of units
	amount of the overage , less the total issued amount	number of units in overage , less the total number of issued units
	in an amount equal to	in a number equal to
Article 79, paragraph (2)	amount	number of units
	increase or reductionx	increase or reduction
Article 79, paragraph (3)	amount of the overage	number of units in overage
	in an amount	in a number of units
Article 79, paragraph (4), item (ii)	amount	number of units
Article 79, paragraph (5), item (i)	reduction equal to the amount	reduction equal to the number of units
Article 79, paragraph (5), item (ii)	increase equal tox the amount	increase equal to the number of units
Article 80, paragraph (1)	amount	number of units
	total amount	total number of units
	amount of the overage	number of units in overage
	any amount representing	any number of units representing
	, less the total issued amount	, less the total number of issued units
	the amount arrived at when	the number of units arrived at when
	this Article and Article 85	this Article
	maximum amount ascribable to the book-entry transfer institution	maximum number of units ascribable to the book-entry transfer institution
	redeem the principal or pay interest on	redeem, cancel or distribute profits for
	maximum amount ascribable to the account management institution	maximum number of units ascribable to the account management institution
	aggregate amount	aggregate number of units

Article 80, paragraph (2), item (i)	maximum amount ascribable to the book-entry transfer institution Limit Amount for the Book-Entry Transfer Institution	maximum number of units ascribable to the book-entry transfer institution Limit Number of Units for the Book-Entry Transfer Institution
	redeem the principal or pay interest on	redeem, cancel or distribute profits for
Article 81, paragraph (1)	amount	number of units
	total amount	total number of units
	amount of the overage	number of units in overage
	any amount representing	any number of units representing
	, less the total issued amount	, less the total number of issued units
	the amount arrived at when	the number of units arrived at when
	this Article and Article 85	this Article
	maximum amount ascribable to the account management institution	maximum number of units ascribable to the account management institution
	redeem the principal or pay interest on	redeem, cancel or distribute profits for
aggregate amount	aggregate number of units	
Article 81, paragraph (2), item (i)	maximum amount ascribable to the account management institution Limit Amount for the Account Management Institution	maximum number of units ascribable to the account management institution Limit Number of Units for the Account Management Institution
	redeem the principal or pay interest on	redeem, cancel or distribute profits for
Article 82	amount	number of units
	redeem the principal or pay interest on	redeem, cancel or distribute profits for
Article 84, paragraph (2)	corporate bond registerx	beneficial interest register (meaning the beneficial interest register prescribed in Article 186 of the Trust Act as applied mutatis mutandis pursuant to Article 6, paragraph (7) of the Act on Investment Trusts and Investment Corporations following the deemed replacement of terms)
Article 85, paragraph (1)	Article 723, paragraph (1) of the Companies Act	Article 17, paragraph (6) of the Act on Investment Trusts and Investment Corporations

	the amount of corporate bonds held thereby (other than the sum total of the maximum amount ascribable to the book-entry transfer institution and maximum amount ascribable to the account management institution)	the number of units held thereby (other than the sum total of the maximum number of units ascribable to the book-entry transfer institution and maximum number of units ascribable to the account management institution)
	bondholders meeting	resolution referred to in paragraph (1) of that Article
Article 155	Article 116, paragraph (1), Article 192, paragraph (1), Article 469, paragraph (1), Article 785, paragraph (1), Article 797, paragraph (1) or Article 806, paragraph (1) of the Companies Act	Article 18, paragraph (1) of the Act on Investment Trusts and Investment Corporations (including the cases where applied mutatis mutandis pursuant to Article 54, paragraph (1) of said Act)

(Creating Entries or Records of the Merger or Split of Book-Entry Transfer Beneficial Interest in an Investment Trust)

Article 121-2 (1) Before merging or splitting a beneficial interest in an investment trust that is of a particular issue (meaning an issue as prescribed in Article 68, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article) and that a Book-Entry Transfer Institution handles (hereinafter referred to as a "Book-Entry Transfer Beneficial Interest in an Investment Trust"), the issuer of the Book-Entry Transfer Beneficial Interest in the Investment Trust must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date of merger or split:

- (i) the issue of Book-Entry Transfer Beneficial Interest in the Investment Trust subject to the merger or split;
- (ii) in the case of a merger, the percentage arrived at when the percentage of the total number of issued units referred to in sub-item (b) which the total number of issued units referred to in sub-item (a) represents is subtracted from the number one (hereinafter referred to as the "percent reduction" in this Article):
  - (a) the total number of issued units of Book-Entry Transfer Beneficial Interest in the Investment Trust after the merger;
  - (b) the total number of issued units of Book-Entry Transfer Beneficial Interest in the Investment Trust before the merger.
- (iii) in the case of a split, the percentage of the total number of issued units referred to in sub-item (b) which the total number of units referred to in sub-

- item (a) represents (hereinafter referred to as the "percent increase" in this Article):
- (a) the total number of units of Book-Entry Transfer Beneficial Interest in the Investment Trust which beneficiaries receive as a result of the split;
  - (b) the total number of issued units of Book-Entry Transfer Beneficial Interest in the Investment Trust before the split.
- (iv) the date of the merger or split.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Beneficial Interest in the Investment Trust about which it has been notified.
- (3) The provisions of the preceding paragraph apply mutatis mutandis to an Immediately Subordinate Institution that is notified as referred to in that paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (4) Upon being notified as referred to in paragraph (1) or (2) (including as applied mutatis mutandis pursuant to the preceding paragraph), the Book-Entry Transfer Institution, etc. that has been so notified must take the following measures on the date of the merger or split:
- (i) the following measures, in the event of a merger (if the Book-Entry Transfer Institution, etc. has a customer account (meaning a customer account as prescribed in Article 68, paragraph (2), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article), this is limited to the measures set forth in sub-item (a)):
    - (a) create entries or records, under the accounts in which entries or records have been created for Book-Entry Transfer Beneficial Interest in an Investment Trust as referred to in paragraph (1), item (i) in the book-entry transfer account register that the Book-Entry Transfer Institution, etc. maintains (but not in a customer account; for accounts other than the Institution-Held Account, this means the holdings columns (meaning holdings columns as prescribed in Article 69, paragraph (2), item (i), sub-item (a) as applied mutatis mutandis pursuant to the preceding Article) or the pledge columns (meaning pledge columns as prescribed in Article 70, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article) of those accounts; hereinafter referred to as the "relevant holdings or pledge column" in this Article) showing reductions equal to the number of units arrived at when each number of units that has been entered or recorded in one of the relevant holdings or pledge columns is multiplied by the percent reduction (if a fractional unit results, it is rounded up);

- (b) notify the Immediately Superior Institution of the number of units for which it has entered or recorded reductions pursuant to the provisions of sub-item (a) above.
- (ii) the following measures, in the event of a split (if the Book-Entry Transfer Institution, etc. has a customer account, this is limited to the measures set forth in sub-item (a)):
  - (a) create entries or records, under the relevant holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Beneficial Interest in an Investment Trust as referred to in paragraph (1), item (i) in the book-entry transfer account register that the Book-Entry Transfer Institution, etc. maintains, showing increases equal to the number of units arrived at when each number of units that has been entered or recorded in one of the relevant holdings or pledge columns is multiplied by the percent increase (if a fractional unit results, it is disregarded);
  - (b) notify the Immediately Superior Institution of the number of units for which it has entered or recorded increases pursuant to the provisions of sub-item (a).
- (5) Upon being notified as referred to in item (i), sub-item (b) or item (ii), sub-item (b) of the preceding paragraph or as referred to in item (i), sub-item (b) or item (ii), sub-item (b), the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
  - (i) the following measures, in the event of a merger:
    - (a) create an entry or record showing a reduction equal to the number of units of which it has been notified, in the customer account subdivision under the account of the Account Management Institution that has notified it;
    - (b) notify the Immediately Superior Institution of the number of units for which it has entered or recorded a reduction pursuant to the provisions of item (i), sub-item (a) of the preceding paragraph and of the number of units of which the Immediately Subordinate Institution has notified it pursuant to the provisions of sub-item (b) of that item or this item.
  - (ii) the following measures, in the event of a split:
    - (a) create an entry or record showing an increase equal to the number of units of which it has been notified, in the customer account subdivision under the account of the Account Management Institution that has notified it;
    - (b) notify the Immediately Superior Institution of the number of units for which it has entered or recorded an increase pursuant to the provisions of item (ii), sub-item (a) of the preceding paragraph and of the number of units of which the Immediately Subordinate Institution has notified it

pursuant to the provisions of sub-item (b) of that item or this item.

(6) A Book-Entry Transfer Institution, etc. that is notified as referred to in paragraph (1) or (2) (including as applied mutatis mutandis pursuant to paragraph (3)), must promptly notify its Immediately Superior Institution (or the issuer, if it is a Book-Entry Transfer Institution) of the numbers of units of Book-Entry Transfer Beneficial Interest in the Investment Trust subject to the merger or split which have been entered or recorded under the accounts of the Participants of the Book-Entry Transfer Institution, etc. (this excludes a customer account) in the book-entry transfer account register that it maintains as of the day immediately preceding the merger or split, and of the number of units of Book-Entry Transfer Beneficial Interest in the Investment Trust of which it has been notified by its Immediately Subordinate Institution pursuant to the provisions of this paragraph.

(Exclusion of Book-Entry Transfer Beneficial Interest in an Investment Trust from Application of the Act on Investment Trusts and Investment Corporations If Ownership Is Established by Entries or Records in the Book-Entry Transfer Account Register)

Article 121-3 The provisions of Article 186, items (iii) and (iv), Articles 189 and 194, Article 195, paragraph (1), Article 199, Article 200, paragraph (1) and Article 201, paragraph (1) of the Trust Act as applied mutatis mutandis pursuant to the provisions of Article 5, paragraph (7) of the Act on Investment Trusts and Investment Corporations do not apply to Book-Entry Transfer Beneficial Interest in an Investment Trust whose ownership is established by entries or record in a book-entry transfer account register.

### **Section 7 Book Entry Transfer of Beneficial Interest in Loan Trusts**

(Mutatis Mutandis Application of Provisions on Bonds and Other Securities to Beneficial Interest in Loan Trusts)

Article 122 The provisions of Chapter IV (other than Article 66, item (i), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 71, paragraph (8) and Section 4 (other than Article 84, paragraph (2))) and Article 114, paragraph (2) apply mutatis mutandis to a beneficial interest in a loan trust (meaning a beneficial interest as prescribed in Article 2, paragraph (2) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter). In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 66	claim for interest	claim to a distribution of profits
Article 66, item (ii)	decision to issue	the basic terms and conditions of the trust (meaning the basic terms and conditions of a trust as prescribed in Article 3, paragraph (1) of the Loan Trust Act)
	issued based on that decision will be subject	will be subject
Article 67, paragraph (1)	Corporate bond certificates	Beneficiary certificates (meaning the beneficiary certificates as prescribed in Article 2, paragraph (2) of the Loan Trust Act; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	beneficiary certificate
Article 69, paragraph (1)	without delay after the date on which it issues	if a trust has been set up for
Article 69, paragraph (1), item (i)	that it has issued	that it has placed in trust
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees of book-entry transfer corporate bonds	the Participants that will become the beneficiaries of the trust
Article 69, paragraph (1), item (iv)	for each Participant (other than as set forth in the following item);	for each Participant
Article 69, paragraph (2), item (i), sub- item (a)	of that paragraph (but only one that is a bondholder as referred to in that item),	of that paragraph
Article 69, paragraph (2), item (ii)	the total of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);

Article 71, paragraph (7)	Unless an issuer goes through a corporate bond manager or a trust company under a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act (referred to as a "bond manager or similar person" in the following paragraph) to redeem book-entry transfer corporate bonds for a bondholder or pledgee, the issuer may demand that	The issuer may demand that
	redeeming	redeeming the principal of the
Article 73	claim for interest	claim to a distribution of profits
Article 78, paragraph (1)	redeemed	redeemed or retired
Article 80 and Article 81	this Article and Article 85	this Article
	redeem the principal of	pay profit distributions, purchase,
Article 82	or payment of interest	or payment of profit distribution or purchase
Article 84, paragraph (2)	corporate bond register	beneficial interest register (meaning the beneficial interest register prescribed in Article 186 of the Trust Act as applied mutatis mutandis pursuant to Article 8, paragraph (5) of the Loan Trust Act following the deemed replacement of terms)

(Creating Entries or Records of the Merger or Split of Book-Entry Transfer Beneficial Interest in a Loan Trust)

Article 122-2 (1) Before merging or splitting a beneficial interest in a loan trust that is of a particular issue (meaning an issue as prescribed in Article 68, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article) and that a Book-Entry Transfer Institution handles (hereinafter referred to as a "Book-Entry Transfer Beneficial Interest in a Loan Trust") the issuer of the Book-Entry Transfer Beneficial Interest in the Loan Trust must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date of merger or split:

(i) the issue of the Book-Entry Transfer Beneficial Interest in a Loan Trust



- subject to the merger or split;
- (ii) in the case of a merger, the percentage arrived at when the percentage of the total issued quantity referred to in sub-item (a) which the total issued quantity referred to in sub-item (b) represents is subtracted from the number one (hereinafter referred to as the "percent reduction" in this Article):
    - (a) the total issued quantity of Book-Entry Transfer Beneficial Interest in the Loan Trust after the merger;
    - (b) the total issued quantity of Book-Entry Transfer Beneficial Interest in the Loan Trust before the merger.
  - (iii) in the case of a split, the percentage of the total issued quantity referred to sub-item (b) which the total quantity referred to in sub-item (a) represents (hereinafter referred to as the "percent increase" in this Article):
    - (a) the total quantity of Book-Entry Transfer Beneficial Interest in the Loan Trust which beneficiaries receive as a result of the split;
    - (b) the total issued quantity of Book-Entry Transfer Beneficial Interest in the Loan Trust before the split.
  - (iv) the date of the merger or split.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Beneficial Interest in the Loan Trust about which it has been notified.
- (3) The provisions of the preceding paragraph apply mutatis mutandis to an Immediately Subordinate Institution that is notified as referred to in that paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (4) Upon being notified as referred to in paragraph (1) or (2) (including as applied mutatis mutandis pursuant to the preceding paragraph), the Book-Entry Transfer Institution, etc. that has been so notified must take the following measures on the date of the merger or split:
- (i) the following measures, in the event of a merger (if the Book-Entry Transfer Institution, etc. has a customer account (meaning a customer account as prescribed in Article 68, paragraph (2), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article), this is limited to the measures set forth in sub-item (a)):
    - (a) create entries or records, under the accounts in which entries or records have been created for Book-Entry Transfer Beneficial Interest in a Loan Trust as referred to in paragraph (1), item (i) in the book-entry transfer account register that the Book-Entry Transfer Institution, etc. maintains (but not in a customer account; for accounts other than the Institution-Held Account, this means the holdings columns (meaning holdings columns

- as prescribed in Article 69, paragraph (2), item (i), sub-item (a) as applied mutatis mutandis pursuant to the preceding Article) or the pledge columns (meaning pledge columns as prescribed in Article 70, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article) of those accounts; hereinafter referred to as the "relevant holdings or pledge column" in this Article) showing reductions equal to the quantities arrived at when each quantity that has been entered or recorded in one of the relevant holdings or pledge columns is multiplied by the percent reduction (if a quantity less than one results, it is rounded up);
- (b) notify the Immediately Superior Institution of the quantities for which it has entered or recorded reductions pursuant to the provisions of sub-item (a).
- (ii) the following measures, in the event of a split (if the Book-Entry Transfer Institution, etc. has a customer account, this is limited to the measures set forth in sub-item (a)):
- (a) create entries or records, under the relevant holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Beneficial Interest in a Loan Trust as referred to in paragraph (1), item (i) in the book-entry transfer account register that the Book-Entry Transfer Institution, etc. maintains, showing increases equal to the quantities arrived at when each quantity that has been entered or recorded in one of the relevant holdings or pledge columns is multiplied by the percent increase (if a quantity less than one results, it is rounded up);
- (b) notify the Immediately Superior Institution of the quantities for which it has entered or recorded increases pursuant to the provisions of sub-item (a).
- (5) Upon being notified as referred to in item (i), sub-item (b) or item (ii), sub-item (b) of the preceding paragraph or as referred to in item (i), sub-item (b) or item (ii), sub-item (b), the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
- (i) the following measures, in the event of a merger:
- (a) create an entry or record showing a reduction equal to the quantity of which it has been notified, in the customer account subdivision under the account of the Account Management Institution that has notified it;
- (b) notify the Immediately Superior Institution of the quantity for which it has entered or recorded a reduction pursuant to the provisions of item (i), sub-item (a) of the preceding paragraph and of the quantity of which the Immediately Subordinate Institution has notified it pursuant to the provisions of sub-item (b) of that item or this item.
- (ii) the following measures, in the event of a split:
- (a) create an entry or record showing an increase equal to the quantity of

- which it has been notified, in the customer account subdivision under the account of the Account Management Institution that has notified it;
- (b) notify the Immediately Superior Institution of the quantity for which it has entered or recorded an increase pursuant to the provisions of item (ii), sub-item (a) of the preceding paragraph and the quantity of which the Immediately Subordinate Institution has notified it pursuant to the provisions of sub-item (b) of that item or this item.
- (6) A Book-Entry Transfer Institution, etc. that is notified as referred to in paragraph (1) or (2) (including as applied mutatis mutandis pursuant to paragraph (3)), must promptly notify its Immediately Superior Institution (or the issuer, if it is a Book-Entry Transfer Institution) of the quantities of Book-Entry Transfer Beneficial Interest in the Loan Trust subject to the merger or split which have been entered or recorded under the accounts of the Participants of the Book-Entry Transfer Institution, etc. (this excludes a customer account) in the book-entry transfer account register that it maintains as of the day immediately preceding the merger or split, and of the quantity of Book-Entry Transfer Beneficial Interest in the Loan Trust of which it has been notified by its Immediately Subordinate Institution pursuant to the provisions of this paragraph.

(Special Provisions of the Loan Trust Act on Book-Entry Transfer Beneficial Interest in a Loan Trust)

Article 123 Before concluding a trust agreement involving Book-Entry Transfer Beneficial Interest in a Loan Trust, a trust company or similar institution must issue public notice indicating that the provisions of this Act apply to the Book-Entry Transfer Beneficial Interest in the Loan Trust, in addition to the information set forth in the items of Article 7, paragraph (1), of the Loan Trust Act.

(Exclusion of Book-Entry Transfer Beneficial Interest in a Loan Trust from Application of the Loan Trust Act If Ownership Is Established by Entries or Records in the Book-Entry Transfer Account Register)

Article 123-2 The provisions of Article 186, items (iii) and (iv), Articles 189 and 194, Article 195, paragraph (1), Article 199, Article 200, paragraph (1) and Article 201, paragraph (1) of the Trust Act as applied mutatis mutandis pursuant to the provisions of Article 8, paragraph (5) of the Loan Trust Act do not apply to Book-Entry Transfer Beneficial Interest in a Loan Trust whose ownership is established by entries or records in a book-entry transfer account register.

## **Section 8 Book Entry Transfer of Beneficial Interest in Specific Purpose**

## Trusts

(Mutatis Mutandis Application of Provisions on Bonds and Other Securities to Beneficial Interest in Specific Purpose Trusts)

Article 124 The provisions of Chapter IV (other than Article 66, item (i), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2, Article 71, paragraph (8), Article 83, Article 84, paragraphs (1), (3) and (4), Article 86, paragraph (1), item (ii), Article 86-2 and Article 86-3), Article 114, paragraph (2) and Article 155 apply mutatis mutandis to beneficial interest in a specific purpose trust (meaning beneficial interest as prescribed in Article 2, paragraph (15) of the Act on Securitization of Assets; the same applies hereinafter). In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 66	claim for interest	claim to profits
Article 66, item (ii)	decision to issue	specific purpose trust agreement (meaning a specific purpose trust agreement as prescribed in Article 229 of the Act on Securitization of Assets)
	issued based on that decision will be subject	will be subject
Article 67, paragraph (1)	Corporate bond certificates	Beneficiary certificates (meaning beneficiary certificates as prescribed in Article 2, paragraph (15) of the Act on Securitization of Assets; the same applies hereinafter)
Article 67, paragraphs (2) and (3)	corporate bond certificate	beneficiary certificate
Article 68, paragraph (3), item (ii)	trade name	name

Article 68, paragraph (3), item (iii)	amount	number of units of the interest in principal prescribed in Article 226, paragraph (1), item (iii), sub-item (b) of the Act on Securitization of Assets (or the interest in profit prescribed in sub-item (b) of the same item, if the issue carries no interest in the principal) (hereinafter referred to as the "number of units of interest")
Article 68, paragraph (3), items (iv) and (v), paragraph (4), item (ii), and paragraph (5), item (ii)	amount	number of units of interest
Article 69, paragraph (1)	without delay after the date on which it issues	if a trust has been set up for
Article 69, paragraph (1), item (i)	that it has issued	that it has placed in trust
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees of book-entry transfer corporate bonds	the Participants that will come to hold rights in the trust
Article 69, paragraph (1), item (iv)	the amount of book-entry transfer corporate bonds as referred to in item (i) for each Participant (other than as set forth in the following item);	the number of units of interest in book-entry transfer corporate bonds as referred to in item (i) for each Participant (other than as set forth in the following item);
Article 69, paragraph (1), item (vii)	total amount	total number of units of interest
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (but only one that is a bondholder as referred to in that item),	of that paragraph
	increase equal to the amount	increase equal to the number of units of interest
Article 69, paragraph (2), item (ii)	increase equal to the total of the amounts referred to in items (iv) and (v) of the preceding paragraph	increase equal to the number of units interest referred to in the preceding paragraph
	item (vi)	item (iv)

Article 70, paragraph (1)	showing a reduction or increase	showing a reduction or increase equal to the number of units of interest
Article 70, paragraph (2)	reduction	reduction equal to the number of units of interest
Article 70, paragraph (3), item (i)	showing a reduction and increase	showing a reduction and increase equal to the number of units of interests
	amount	number of units of interests
Article 70, paragraph (3), item (ii)	reduction	reduction equal to the number units of interest
	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 70, paragraph (3), items (iii) and (iv)	increase	increase equal to in the number of units of interest
Article 70, paragraph (4), item (i)	the amount	the number of units of interest
	amount subject to book entry transfer	the number of units of interest subject to book entry transfer
	reduction	reduction
Article 70, paragraph (4), items (iii) and (iv)	amount subject to book entry transfer	the number of units of interest subject to book entry transfer
	increase	increase
Article 70, paragraph (5), item (i)	amount subject to book entry transfer	the number of units of interest subject to book entry transfer
	reduction	reduction
Article 70, paragraph (5), items (iii) and (iv), and paragraph (7)	amount subject to book entry transfer	the number of units of interest subject to book entry transfer
	increase	increase
Article 71, paragraphs (1) and (2)	reduction	reduction equal to the number of units of interest

Article 71, paragraph (3)	reduction	reduction equal to the number of units of interest
	amount	number of units of interest
Article 71, paragraph (4), item (i) and paragraph (5), item (i)	amount	number of units of interest
	reduction	reduction
Article 71, paragraph (7)	Unless an issuer goes through a corporate bond manager or a trust company under a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act (referred to as a "bond manager or similar person" in the following paragraph) to redeem book-entry transfer corporate bonds for a bondholder or pledgee, the issuer may demand that	The issuer may demand that
	the same amount from the account as the amount of	the same number of units of interest from the account as the number of units of interest
Article 73	claim for interest	claim to profit
	increase equal to the amount	increase equal to the number of units of interest
Article 74	increase equal to the amount	increase equal to the number of units of interest
Article 77	showing an increase in	showing an increase equal to the number of units of interest
	the increase	the increase
Article 78, paragraph (1)	total amount	total number of units of interest
	the total issued amount (other than any amount that has been redeemed) total amount of... which have been issued	the total issued units of interest (other than any units of interest that have been redeemed)
	aggregate amount	aggregate number
	total issued amount	total number of issued units of interest
	amount of the overage	number in overage
	, less the total issued amount	, less the total number of issued units of interest
	amount	number of units of interest

Article 78, paragraph (2)	amount	number of units of interest
	increase or reduction	increase or reduction equal to the number of units of interest
Article 79, paragraph (1)	aggregate amount	aggregate number
	amount	number of units of interest
	amount of the overage	number in overage
	, less the total issued amount	, less the total number of issued units of interest
	in an amount equal to	in a number of units of interest equal to
Article 79, paragraph (2)	amount	number of interests
	increase or reduction	increase or reduction
Article 79, paragraph (3)	amount of the overage	number in overage
	in an amount	in a number of units of interest
Article 79, paragraph (4), item (ii)	amount	number of units of interest
Article 79, paragraph (5), item (i)	reduction equal to the amount	reduction equal to the number of units of interest
Article 79, paragraph (5), item (ii)	increase equal to the amount	increase equal to the number of units of interest
Article 80, paragraph (1)	amount	number of units of interest
	total amount	total number of units of interest
	amount of the overage	number in overage
	any amount representing	any number of units of interest representing
	, less the total issued amount	, less the total number of issued units of interest
	the amount arrived at when	the number of units of interest arrived at when
	maximum amount ascribable to the book-entry transfer institution	maximum number of units of interest ascribable to the book-entry transfer institution
	redeem the principal or pay interest on	redeem or distribute profits for
	maximum amount ascribable to the account management institution	maximum number of units of interest ascribable to the account management institution
aggregate amount	aggregate number	



Article 80, paragraph (2), item (i)	maximum amount ascribable to the book-entry transfer institution	maximum number of units of interest ascribable to the book- entry transfer institution
	redeem the principal or pay interest on	redeem or distribute profits for
Article 81, paragraph (1)	amount	number of units of interest
	total amount	total number of units of interest
	amount of the overage	number in overagex
	any amount representing	any number of units of interest representing
	, less the total issued amount	, less the total number of issued units of interestx
	the amount arrived at when	number of units of interest arrived at when
	maximum amount ascribable to the account management institution	maximum number of units of interest ascribable to the account management institution
	redeem the principal or pay interest on	redeem or distribute profits for
	aggregate amount	aggregate number
Article 81, paragraph (2), item (i)	maximum amount ascribable to the account management institution	maximum number of units of interest ascribable to the account management institution
	redeem the principal or pay interest on	redeem or distribute profits for
Article 82	amount	number of units of interest
	redeem the principal or pay interest on	redeem or distribute profits for
Article 84, paragraph (2)	corporate bond register	right holder list (meaning a right holder list as prescribed in Article 235, paragraph (1) of the Act on Securitization of Assets)
Article 85, paragraph (1)	Article 723, paragraph (1) of the Companies Act	Article 244, paragraph (1) of the Act on Securitization of Assets (including as applied mutatis mutandis pursuant to Article 250, paragraph (3) and Article 253 of that Act)

	the amount of corporate bonds held thereby (other than the sum total of the maximum amount ascribable to the book-entry transfer institution and maximum amount ascribable to the account management institution)	the number of units of interest held thereby (other than the sum total of the maximum number of units of interest ascribable to the book-entry transfer institution and maximum number of units of interest ascribable to the account management institution)
	bondholders meeting	right holders meeting as prescribed in Article 240, paragraph (1) or class right holders meeting as prescribed in Article 251, paragraph (1) of the same Act (referred to as a "right holders or class right holders meeting" in the next Article)
Article 85, paragraph (2)	Article 718, paragraph (1) and Article 736, paragraph (1) of the Companies Act and Article 49, paragraph (1) of the Secured Bonds Trust Act	Article 718, paragraph (1) of the Companies Act, as applied mutatis mutandis pursuant to Article 242, paragraph (5) of the Act on Securitization of Assets (including as applied mutatis mutandis pursuant to Article 250, paragraph (3) and Article 253 of the same Act) and Article 254, paragraph (1) of the Act on Securitization of Assets
	the maximum amount ascribable to the book-entry transfer institution and the maximum amount ascribable to the account management institution	the maximum number of units of interest ascribable to the book-entry transfer institution and the maximum number of units of interest ascribable to the account management institution
Article 86, paragraph (1)	Article 718, paragraph (1) of the Companies Act	Article 718, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 242, paragraph (5) of the Act on Securitization of Assets (including as applied mutatis mutandis pursuant to Article 250, paragraph (3) and Article 253 of the same Act) following the deemed replacement of terms
	bondholders meeting	right holders or class right holders meeting

	paragraph (3) of the same Article	Article 718, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 242, paragraph (5) of the Act on Securitization of Assets (including as applied mutatis mutandis pursuant to Article 250, paragraph (3) and Article 253 of the same Act) following the deemed replacement of terms
	; in order to vote at a bondholders meeting	; or in order to vote at a right holders or class right holders meeting
	; or in order to inspect the conditions under which collateral under the provisions of Article 49, paragraph (1) of the Secured Bonds Trust Act is stored, the holder	, the holder
Article 86, paragraph (1), item (i)	a bond manager administrator	specific trusts manager (meaning a specific trusts manager as prescribed in Article 2, paragraph (18) of the Act on Securitization of Assets)
	to that bond manager	to that specific trusts manager
Article 86, paragraph (1), item (iii)	preceding two items	item (i)
Article 86, paragraph (2)	bondholders meeting	right holders or class right holders meeting
Article 155	Article 116, paragraph (1), Article 192, paragraph (1), Article 469, paragraph (1), Article 785, paragraph (1), Article 797, paragraph (1) or Article 806, paragraph (1) of the Companies Act	Article 271, paragraph (1) of the Act on Securitization of Assets (including as applied mutatis mutandis pursuant to Article 272, paragraph (2) of the same Act)

(Creating Entries or Records of the Merger or Split of Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust)

Article 124-2 (1) Before merging or splitting a beneficial interest in a specific purpose trust that is of a particular issue (meaning an issue as prescribed in Article 68, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article) and that a Book-Entry Transfer Institution handles (hereinafter referred to as a "Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust"), the issuer of the

Book-Entry Transfer Beneficial Interest in the Specific Purpose Trust must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date of merger or split:

- (i) the issue of Book-Entry Transfer Beneficial Interest in the Specific Purpose Trust subject to the merger or split;
  - (ii) in the case of a merger, the percentage arrived at when the percentage of the total number of issued units of interest referred to sub-item (b) which the total number of issued units of interest referred to in sub-item (a) represents is subtracted from the number one (hereinafter referred to as the "percent reduction" in this Article):
    - (a) the total number of issued units of interest constituting Book-Entry Transfer Beneficial Interest in the Specific Purpose Trust after the merger;
    - (b) the total number of issued units of interest constituting Book-Entry Transfer Beneficial Interest in the Specific Purpose Trust before the merger.
  - (iii) in the case of a split, the percentage of the total number of issued units of interest referred to in sub-item (b) which the total number of units of interest referred to in sub-item (a) represents (hereinafter referred to as the "percent increase" in this Article):
    - (a) the total number of units of interest constituting Book-Entry Transfer Beneficial Interest in the Specific Purpose Trust which beneficiaries receive as a result of the split;
    - (b) the total number of issued units of interest constituting Book-Entry Transfer Beneficial Interest in the Specific Purpose Trust before the split.
  - (iv) the date of the merger or split.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Beneficial Interest in the Specific Purpose Trust about which it has been notified.
- (3) The provisions of the preceding paragraph apply *mutatis mutandis* to an Immediately Subordinate Institution that is notified as referred to in that paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), once it has been so notified.
- (4) Upon being notified as referred to in paragraph (1) or (2) (including as applied *mutatis mutandis* pursuant to the preceding paragraph), the Book-Entry Transfer Institution, etc. that has been so notified must take the following measures on the date of the merger or split:
- (i) the followings measures, in the event of a merger (if the Book-Entry Transfer Institution, etc. has a customer account (meaning a customer

account as prescribed in Article 68, paragraph (2), item (ii) as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this Article), this is limited to the measures set forth in sub-item (a)):

- (a) create entries or records, under the accounts in which entries or records have been created for Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust as referred to in paragraph (1), item (i) in the book-entry transfer account register that the Book-Entry Transfer Institution, etc. maintains (but not in a customer account; for accounts other than the Institution-Held Account, this means the holdings columns (meaning holdings columns as prescribed in Article 69, paragraph (2), item (i), sub-item (a) as applied mutatis mutandis pursuant to the preceding Article) or the pledge columns (meaning pledge columns as prescribed in Article 70, paragraph (3), item (ii) as applied mutatis mutandis pursuant to the preceding Article) of those accounts; hereinafter referred to as the "relevant holdings or pledge column" in this Article) showing reductions equal to the number of units of interest arrived at when each number of units of interest that has been entered or recorded in one of the relevant holdings or pledge columns is multiplied by the percent reduction (if a fractional interest results, it is rounded up);
  - (b) notify the Immediately Superior Institution of the number of units of interest for which it has entered or recorded reductions pursuant to the provisions of sub-item (a) above.
- (ii) the following measures, in the event of a split (if the Book-Entry Transfer Institution, etc. has a customer account, this is limited to the measures set forth in sub-item (a)):
- (a) create entries or records, under the relevant holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust as referred to in paragraph (1), item (i) in the book-entry transfer account register that the Book-Entry Transfer Institution, etc. maintains, showing increases equal to the number of units of interest arrived at when each number of units of interest that has been entered or recorded in one of the relevant holdings or pledge columns is multiplied by the percent increase (if a fractional interest results, it is rounded up);
  - (b) notify the Immediately Superior Institution of the number of units of interest for which it has entered or recorded increases pursuant to the provisions of sub-item (a).
- (5) Upon being notified as referred to in item (i), sub-item (b) or item (ii), sub-item (b) of the preceding paragraph or as referred to in item (i), sub-item (b) or item (ii), sub-item (b), the Book-Entry Transfer Institution, etc. that has been

so notified must immediately take the following measures:

(i) the following measures, in the event of a merger:

(a) create an entry or record showing a reduction equal to the number of units of interest of which it has been notified, in the customer account subdivision under the account of the Account Management Institution that has notified it;

(b) notify the Immediately Superior Institution of the number of units of interest for which it has entered or recorded a reduction pursuant to the provisions of item (i), sub-item (a) of the preceding paragraph and of the number of units of interest of which the Immediately Subordinate Institution has notified it pursuant to the provisions of sub-item (b) of that item or this item.

(ii) the following measures, in the event of a split:

(a) create an entry or record showing an increase equal to the number of units of interest of which it has been notified, in the customer account subdivision under the account of the Account Management Institution that has notified it;

(b) notify the Immediately Superior Institution of the number of units of interest for which it has entered or recorded an increase pursuant to the provisions of item (ii), sub-item (a) of the preceding paragraph and of the number of units of interest of which the Immediately Subordinate Institution has notified it pursuant to the provisions of sub-item (b) of that item or this item.

(6) A Book-Entry Transfer Institution, etc. that is notified as referred to in paragraph (1) or (2) (including as applied *mutatis mutandis* pursuant to paragraph (3)), must promptly notify its Immediately Superior Institution (or the issuer, if it is a Book-Entry Transfer Institution) of the number of units of interest constituting Book-Entry Transfer Beneficial Interest in the Specific Purpose Trust subject to the merger or split which have been or recorded under the accounts of the Participants of the Book-Entry Transfer Institution, etc. (this excludes a customer account) in the book-entry transfer account register that it maintains as of the day immediately preceding the merger or split, and of the number of units of interest constituting Book-Entry Transfer Beneficial Interest in the Specific Purpose Trust of which it has been notified by its Immediately Subordinate Institution pursuant to the provisions of this paragraph.

(Special Provisions of the Act on Securitization of Assets on Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust)

Article 125 In addition to the holder of a Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust being deemed to be the right holder of a

beneficiary certificate when the provisions of the Act on Securitization of Assets are applied, the Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust is deemed to be a beneficiary certificate as prescribed in that Act when Article 286 of that Act is applied.

(Exclusion of Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust from Application of the Act on Securitization of Assets)

Article 126 (1) The provisions of Article 201, paragraph (1) of the Trust Act applied mutatis mutandis pursuant to Article 239, paragraph (1) of the Act on Securitization of Assets do not apply to Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust.

(2) Notwithstanding Article 103, paragraph (4) of the Trust Act as applied mutatis mutandis pursuant to Article 271, paragraph (4) of the Act on Securitization of Assets (including as applied mutatis mutandis pursuant to paragraph (2) of Article 272 of that Act), in lieu of notifying the relevant persons as under those provisions, the trustee company, etc. of the Book-Entry Transfer Beneficial Interest in a Specific Purpose Trust (meaning a trustee company, etc. as prescribed in Article 2, paragraph (16) of the Act on Securitization of Assets) must issue public notice of the information of which it is required to notify the relevant persons.

### **Section 9 Book Entry Transfer of Foreign Bonds**

Article 127 The provisions of Chapter IV (other than Article 66, item (i), Article 69, paragraph (1), items (v) and (vi) and paragraph (2), item (i), sub-items (b) and (c), Article 69-2, Article 70-2 and the provisions of Section 4) and Article 114 apply mutatis mutandis to foreign bonds (meaning rights required to be indicated on bond certificates issued by a foreign country or foreign corporation). In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 67	Corporate bond certificates	Bond certificates
Article 68, paragraph (3), item (ii)	trade name	name
Article 69, paragraph (1), item (ii)	the Participants that constitute the holders and pledgees	the Participants that constitute the holders

Article 69, paragraph (1), item (iv)	the amount of book-entry transfer corporate bonds as referred to in item (i) for each Participant (other than as set forth in the following item);	for each Participant
Article 69, paragraph (2), item (i), sub-item (a)	of that paragraph (but only one that is a bondholder as referred to in that item),	of that paragraph
Article 69, paragraph (2), item (ii)	total of the amounts referred to in items (iv) and (v) of the preceding paragraph	the amount referred to in item (iv) of the preceding paragraph
	item (vi)	item (iv)
Article 70, paragraph (3), item (ii)	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 68, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 71, paragraph (7)	a corporate bond manager or a trust company under a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act	the person entrusted with managing the rights required to be indicated on foreign bonds issued by a foreign country or foreign corporation or a trust company under a trust agreement involving such rights as collateral
	bond manager or similar person	manager or similar person
Article 71, paragraph (8)	bond manager or similar person	manager or similar person
Article 80, paragraph (1) and Article 81, paragraph (1)	this Article and Article 85	this Article

**Chapter VI-2 Book Entry Transfer of Beneficial Interest in Trusts Issuing  
Beneficiary Certificates  
Section 1 General Rules**



(Ownership of Rights)

- Article 127-2 (1) The ownership of a beneficial interest in a trust issuing beneficiary certificates (other than a beneficial interest as prescribed in Article 185, paragraph (2) of the Trust Act) which is handled by a Book-Entry Transfer Institution (hereinafter referred to as a "Book-Entry Transfer Beneficial Interest" in this Chapter) is established by the entries or records in a book-entry transfer account register as under the provisions of this Chapter.
- (2) The issuer must be acting as provided in the act of trust to give the consent referred to in Article 13, paragraph (1) with respect to beneficial interest therein.

(Non-issuance of Beneficiary Certificates)

- Article 127-3 (1) Beneficiary certificates may not be issued for Book-Entry Transfer Beneficial Interest.
- (2) Notwithstanding the preceding paragraph, if a Book-Entry Transfer Institution that handles Book-Entry Transfer Beneficial Interest has its Article 3, paragraph (1) designation rescinded pursuant to the provisions of Article 22, paragraph (1) or its designation ceases to be effective pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the Book-Entry Transfer Services thereof; or if a Book-Entry Transfer Institution that handles Book-Entry Transfer Beneficial Interest ceases to handle that Book-Entry Transfer Beneficial Interest, the beneficiary of such a Book-Entry Transfer Beneficial Interest may ask the issuer to issue a beneficiary certificate.
- (3) A beneficiary certificate as referred to in the preceding paragraph is in bearer form.

## **Section 2 Book-Entry Transfer Account Registers**

(Information Required to Be Entered or Recorded in a Book-Entry Transfer Account Register)

- Article 127-4 (1) A book-entry transfer account register is subdivided by account for each Participant.
- (2) The account of an Account Management Institution in a book-entry transfer account register is subdivided as follows:
- (i) an account in which entries or records are created for Book-Entry Transfer Beneficial Interest in which the Account Management Institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter);
  - (ii) an account in which entries or records are created for Book-Entry Transfer Beneficial Interest in which the Participants of the Account Management

Institution or of its Subordinate Institution hold rights (hereinafter referred to as a "customer account" in this Chapter).

- (3) Entries or records giving the following information are made for each account (other than customer accounts) in a book-entry transfer account register:
- (i) the name and address of the Participant;
  - (ii) the issuer's name and the type of the Book-Entry Transfer Beneficial Interest (hereinafter referred to as the "issue" in this Chapter);
  - (iii) the number of units of Book-Entry Transfer Beneficial Interest, by issue (other than as set forth in the following item);
  - (iv) that the Participant in question is a pledgee, if this is the case; and the number of units of Book-Entry Transfer Beneficial Interest that have been pledged thereto, by issue;
  - (v) that the Participant in question is the trustee of a trust, if this is the case; and the number of units of Book-Entry Transfer Beneficial Interest as referred to in the preceding two items which constitute trust property;
  - (vi) if an entry or record has been created showing an increase or reduction in the number referred to in item (iii) or (iv), whether it shows an increase or reduction, the number by which the units of Book-Entry Transfer Beneficial Interest have increased or been reduced, and the date on which the entry or record was created;
  - (vii) other information specified by Cabinet Order.
- (4) Entries or records giving the following information are made for each customer account in a book-entry transfer account register:
- (i) the information set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the number of units of Book-Entry Transfer Beneficial Interest, by issue;
  - (iii) other information specified by Cabinet Order.
- (5) If a Book-Entry Transfer Institution opens an Institution-Held Account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
  - (ii) the number of units of Book-Entry Transfer Beneficial Interest, by issue;
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one as specified by Ordinance of the Competent Ministry).

(Creating New Entries or Records upon Issuance of Book-Entry Transfer Beneficial Interest)

Article 127-5 (1) The issuer of Book-Entry Transfer Beneficial Interest of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following

information without delay after the date on which the Book-Entry Transfer Beneficial Interest is created:

- (i) the issue of Book-Entry Transfer Beneficial Interest that it has issued ;
  - (ii) the names of the Participants that constitute the beneficiaries and pledgees of the Book-Entry Transfer Beneficial Interest referred to in the preceding item;
  - (iii) the accounts opened for the Participants referred to in the preceding item, in which book entries can be made for the Book-Entry Transfer Beneficial Interest referred to in item (i);
  - (iv) the number of units of Book-Entry Transfer Beneficial Interest referred to in item (i) for each Participant (other than as set forth in the following item);
  - (v) that a Participant is a pledgee, if this is the case; and the number of units of Book-Entry Transfer Beneficial Interest as referred to in item (i) that have been pledged thereto;
  - (vi) that a Participant is the trustee of a trust, if this is the case; and the number of units of Book-Entry Transfer Beneficial Interest as referred to in item (iv) and the preceding item which constitute trust property;
  - (vii) information as set forth in item (vii), paragraph (3) of the preceding Article which Cabinet Order prescribes as information that the issuer is able to learn;
  - (viii) the total number of units of the Book-Entry Transfer Beneficial Interest referred to in item (i) and other information specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately take the following measures for the issue of Book-Entry Transfer Beneficial Interest about which it has been notified:
- (i) create the following entries or records, if the Book-Entry Transfer Institution is the one that opened the account referred to item (iii) of the preceding paragraph:
    - (a) an entry or record showing an increase equal to the number referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph (but only one that is a beneficiary as referred to in that item), in the column of the account where the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);
    - (b) an entry or record showing an increase equal to the number referred to in item (v) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph (but only one that is a pledgee as referred to in that item), in the column of the account where the information set forth in paragraph (3), item (iv) of the preceding Article is entered or recorded

- (hereinafter referred to as the "pledge column" in this Chapter);
- (c) an entry or record in the account showing an increase equal to the number of units of Book-Entry Transfer Beneficial Interest constituting trust property as referred to in item (vi) of the preceding paragraph;
  - (d) an entry or record in the account showing the information set forth in item (vii) of the preceding paragraph;
  - (e) an entry or record in the account showing the information set forth in item (viii) of the preceding paragraph.
- (ii) create an entry or record showing an increase equal to the total of the numbers referred to in items (iv) and (v) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant, and notify the Immediately Subordinate Institution of the information set forth in items (i) to (vii) inclusive of that paragraph, if the Book-Entry Transfer Institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.

(Procedure If a Trustee Cannot Find the Account of a Beneficiary)

- Article 127-6 (1) If a trustee seeks to deliver Book-Entry Transfer Beneficial Interest of a particular issue but is unable to find an account that has been opened for the beneficiary or pledgee of that beneficial interest in which book entries can be made for Book-Entry Transfer Beneficial Interest, the Trustee (or the person specified by Ordinance of the Competent Ministry as being equivalent to a trustee, if it is delivering Book-Entry Transfer Beneficial Interest at the time of a merger of trusts or in any other case specified by Ordinance of the Competent Ministry; hereinafter referred to as the "notifier" in this Article) must notify the person that Ordinance of the Competent Ministry prescribes as the one that will become the beneficiary or pledgee of the Book-Entry Transfer Beneficial Interest, of the following information, by one month prior to the fixed date referred to in item (i):
- (i) that the trustee will notify the relevant party as referred to in paragraph (1) of the preceding Article or apply for a book-entry transfer to be made for the beneficiary (other than the beneficiary of a beneficial interest underlying a pledge, if there is a pledgee) or pledgee of the Book-Entry Transfer Beneficial Interest on a fixed date;
  - (ii) that the notifier must be notified of the account opened for the beneficiary

- or pledgee referred to in the preceding item (other than an account opened by a Book-Entry Transfer Institution, etc. based on a request as referred to in the main clause of paragraph (3)) in which book entries can be made for the Book-Entry Transfer Beneficial Interest by the fixed date referred to in that item;
- (iii) the name and address of the Book-Entry Transfer Institution, etc. that opens accounts based on requests as referred to in the main clause of paragraph (3);
  - (iv) other information specified by Ordinance of the Competent Ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than a trustee as referred to in that paragraph, the notifier must notify that trustee, on the fixed date referred to in item (i) of that paragraph, of the account referred to in item (ii) of that paragraph of which the beneficiary or pledgee referred to in that item has notified it.
- (3) If a beneficiary or pledgee as referred to in paragraph (1), item (i) does not notify the notifier of an account as referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, the trustee must request the Book-Entry Transfer Institution, etc. referred to in item (iii) of that paragraph to open an account for the beneficiary or pledgee in which book entries can be made for Book-Entry Transfer Beneficial Interest (hereinafter referred to as a "special account"); provided, however, that this does not apply if there is a special account open that the trustee has requested be opened for the beneficiary or pledgee.
- (4) If a trustee is the issuer of a beneficial interest that constitutes a Book-Entry Transfer Beneficial Interest as referred to in paragraph (1) but has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the Book-Entry Transfer Institution with respect to that beneficial interest.
- (5) In the case prescribed in paragraph (1), when the trustee notifies the relevant party as referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) of which it is notified by the beneficiary or pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if it has not been so notified) as the account referred to in paragraph (1), item (iii) of the preceding Article.

(Making Book-Entries)

Article 127-7 (1) On receiving an application for a book-entry transfer involving Book-Entry Transfer Beneficial Interest of a particular issue, a Book-Entry Transfer Institution, etc., pursuant to the provisions of paragraphs (4) to (8)

inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction or increase in the book-entry transfer account register that it maintains, or must notify the relevant person.

- (2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record showing a reduction is to file with its Immediately Superior Institution.
- (3) A person filing an application as referred to in paragraph (1) must indicate the following information in that application:
  - (i) the issue and the number of units of Book-Entry Transfer Beneficial Interest for which entries or records showing a reduction and increase will need to be created when the book-entry transfer is effected;
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the account of the Participant referred to in the preceding paragraph;
  - (iii) the account in which the entry or record showing the increase will need to be created (this excludes a customer account; hereinafter referred to as the "transferee account" in this Article);
  - (iv) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (this excludes the Institution-Held Account).
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
  - (i) create an entry or record showing a reduction equal to the number referred to in item (i) of the preceding paragraph (hereinafter referred to as the "number subject to book-entry transfer" in this Article) in the holdings column or pledge column of the account of the Participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of items (i), (iii) and (iv) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is not the Common Immediately Superior Institution for the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer in either the holdings column or the pledge column of the transferee account, as indicated pursuant to the provisions of item (iv) of the preceding paragraph (or in the column where the information set forth in Article 127-4, paragraph (5), item (ii) is entered or recorded, for an Institution-Held Account; hereinafter referred to as the "transferee column"),

- if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
- (iv) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution, etc.'s Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information indicated pursuant to the provisions of items (i), (iii) and (iv) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the number subject to book-entry transfer in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is not the Common Immediately Superior Institution for the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer in the transferee column of the transferee account, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution, etc.'s Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this

paragraph), once it has been so notified.

- (7) Upon being notified as referred to in paragraph (4), item (iv) or paragraph (5), item (iv) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph), the Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing an increase equal to the number subject to book-entry transfer in the transferee column of the transferee account, if the Account Management Institution is the one that opened the transferee account;
  - (ii) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of paragraph (4), item (iv) or paragraph (5), item (iv), if the Account Management Institution is not the one that opened the transferee account.
- (8) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.

(Special Provisions on Making Book-Entries for Book-Entry Transfer Beneficial Interest That Has Been Entered or Recorded in a Special Account)

- Article 127-8 (1) A Participant may not apply to apply for a book-entry transfer involving a Book-Entry Transfer Beneficial Interest that has been entered or recorded in a special account if the transferee account is other than that of the Participant or that of the issuer of the Book-Entry Transfer Beneficial Interest.
- (2) If, after the notice referred to in Article 127-5, paragraph (1), or an application for a book-entry transfer involving a Book-Entry Transfer Beneficial Interest of a particular issue is made, a person that, before the notice or application, acquired a beneficial interest in a trust disappearing in a merger of trusts but that cannot be delivered the Book-Entry Transfer Beneficial Interest that replaces that beneficial interest at the time of the merger because no entry or record has been made for the person in the beneficial interest register, or any other person specified by Ordinance of the Competent Ministry (hereinafter referred to as the "acquirer or other such person" in this Article) files a joint request together with the Participant in whose special account the Book-Entry Transfer Beneficial Interest has been entered or recorded, the issuer must take the following actions. The same



applies if the acquirer or other such person files a request accompanied by an authenticated copy or certified copy of an enforceable judgment that orders the Participant to file such a request or accompanied by any other paper document specified by Ordinance of the Competent Ministry as being equivalent thereto, and the same also applies in cases prescribed by Ordinance of the Competent Ministry as those in which the interests of the Participant and other interested persons are unlikely to be prejudiced even if the issuer takes the following actions as requested by the acquirer or other such person:

- (i) filing a request as referred to in the main clause of Article 127-6, paragraph (3) for the acquirer or other such person;
  - (ii) filing an application for the book-entry transfer of that Book-Entry Transfer Beneficial Interest in the transferee account that has been opened as per the request referred to in the preceding item.
- (3) A Participant other than the issuer that has requested for a special account to be opened may not apply for a book-entry transfer with the special account as the transferee account.

(Making Deletions)

- Article 127-9 (1) On receiving an application for the deletion of a Book-Entry Transfer Beneficial Interest of a particular issue, a Book-Entry Transfer Institution, etc., pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (2) The application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the reduction resulting from the deletion will be entered or recorded is to file with its Immediately Superior Institution.
- (3) A Participant filing an application as referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
- (i) the issue and the number of units of Book-Entry Transfer Beneficial Interest for which an entry or record showing a reduction will need to be created when the deletion is effected;
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the applicant's account.
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
- (i) create an entry or record showing a reduction equal to the number referred to in item (i) of the preceding paragraph in the holdings column or pledge

- column of the applicant's account as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
- (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the number referred to in paragraph (3), item (i) in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (7) Unless an issuer goes through a through a beneficiaries' agent to pay its full obligation underlying a beneficial claim associated with a Book-Entry Transfer Beneficial Interest for the beneficiary or pledgee, the issuer may demand that, in exchange for the issuer paying the beneficiary or pledgee its full obligation underlying the beneficial claim associated with the Book-Entry Transfer Beneficial Interest, the beneficiary or pledgee file an application with its Immediately Superior Institution to enter a deletion for the number of units of Book-Entry Transfer Beneficial Interest of that issue which appear on its account, deleting the same number from the account as the number of units of Book-Entry Transfer Beneficial Interest that are being paid.
- (8) The provisions of the preceding paragraph apply mutatis mutandis when a beneficiaries' agent through which all obligations under a beneficial claim associated with a Book-Entry Transfer Beneficial Interest have been paid for a beneficiary or pledgee pays the amount so paid to the beneficiary or pledgee.

(Deleting All Entries or Records)

- Article 127-10 (1) The issuer of Book-Entry Transfer Beneficial Interest of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) no later than two weeks prior to the date referred to in item (ii) before deleting all of the entries or records regarding that Book-Entry Transfer Beneficial Interest:
- (i) the issue of Book-Entry Transfer Beneficial Interest;

- (ii) the date for the deletion of all of the entries or records regarding that Book-Entry Transfer Beneficial Interest.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Beneficial Interest about which it has been notified.
- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified must delete the entries or records for all units of Book-Entry Transfer Beneficial Interest as referred to in item (i) of that paragraph from the accounts in the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Beneficial Interest (for accounts other than the Institution-Held Account or a customer account, this means the holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter).
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.

(Creating Entries or Records for a Merger of Book-Entry Transfer Beneficial Interest)

- Article 127-11 (1) Before merging Book-Entry Transfer Beneficial Interest of a particular issue through a trust modification, the issuer of the Book-Entry Transfer Beneficial Interest must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date on which the merger of beneficial interest takes effect:
- (i) the issue of Book-Entry Transfer Beneficial Interest subject to the merger;
  - (ii) the percentage arrived at when the percentage of the total number referred to in sub-item (b) which the total number referred to in sub-item (a) represents is subtracted from the number one (hereinafter referred to as the "percent reduction" in this Article):
    - (a) the total number of units of Book-Entry Transfer Beneficial Interest after the merger of beneficial interest;
    - (b) the total number of units of Book-Entry Transfer Beneficial Interest before the merger of beneficial interest;
  - (iii) the date on which the merger of beneficial interest will take effect;
  - (iv) the issuer's account (or one of them, if it has multiple accounts).
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry

Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Beneficial Interest about which it has been notified.

- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified, on the date referred to in item (iii) of that paragraph, must create entries or records under the holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Beneficial Interest as referred to in item (i) of that paragraph in the book-entry transfer account register that it maintains, showing reductions equal to the numbers arrived at when each of the numbers that has been entered or recorded in a holdings or pledge column is multiplied by the percent reduction.
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.
- (5) Notwithstanding paragraph (3), if a Book-Entry Transfer Institution's creation of an entry or record showing a reduction pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) would cause a non-whole number to be recorded or entered in a holdings or pledge column as prescribed paragraph (3), in lieu of creating the entry or record that it is required to create for that holdings or pledge column, the Book-Entry Transfer Institution, etc. must create an entry or record as prescribed by Cabinet Order in the holdings or pledge column subdivision of a Participant under that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and issue the necessary instructions for the creation of the relevant entry or record to its Subordinate Institution pursuant to the provisions of Cabinet Order. In such a case, the Subordinate Institution must take measures that comply with those instructions.

(Creating Entries or Records for the Splitting of Book-Entry Transfer Beneficial Interest)

Article 127-12 (1) Before splitting Book-Entry Transfer Beneficial Interest of a particular issue through a trust modification, the issuer of the Book-Entry Transfer Beneficial Interest must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date on which the split of beneficial interest takes effect:

- (i) the issue of Book-Entry Transfer Beneficial Interest subject to the split;
- (ii) the percentage of the total number referred to in sub-item (b) which the

- total number referred to in sub-item (a) represents (hereinafter referred to as the "percent increase" in this Article):
- (a) the total number of units of Book-Entry Transfer Beneficial Interest that beneficiaries will receive as a result of the splitting of the beneficial interest;
  - (b) the total number of units of Book-Entry Transfer Beneficial Interest before the splitting of the beneficial interest.
  - (iii) the date on which the splitting of beneficial interest will take effect;
  - (iv) the issuer's account (or one of them, if it has multiple accounts).
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Beneficial Interest about which it has been notified.
- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified, on the date referred to in item (iii) of that paragraph, must create entries or records under the holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Beneficial Interest as referred to in item (i) of that paragraph in the book-entry transfer account register that it maintains, showing increases equal to the numbers arrived at when each of the numbers that have been entered or recorded in a holdings or pledge column is multiplied by the percent increase.
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.
- (5) Notwithstanding paragraph (3), if a Book-Entry Transfer Institution's creation of an entry or record showing an increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) would cause a non-whole number to be entered or recorded in a holdings or pledge column as prescribed paragraph (3), in lieu of creating the entry or record that it is required to create for that holdings or pledge column, the Book-Entry Transfer Institution, etc. must create an entry or record as prescribed by Cabinet Order in the holdings or pledge column subdivision of a Participant under that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and issue the necessary instructions for the creation of the relevant entry or record to its Subordinate Institution pursuant to the provisions of Cabinet Order. In such a case, the Subordinate Institution must take measures that comply with those instructions.

(Creating Entries or Records If Book-Entry Transfer Beneficial Interest of Another Issue Is Delivered as a Result of a Merger of Trusts)

Article 127-13 (1) If beneficial interest in each of the trusts involved in a merger of trusts is Book-Entry Transfer Beneficial Interest and the trustee seeks to deliver Book-Entry Transfer Beneficial Interest at the time of the merger of trusts, the trustee must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information, no later than two weeks prior to the date on which the merger takes effect. In such a case, the provisions of Articles 127-5 and 127-6 do not apply:

- (i) the issue of Book-Entry Transfer Beneficial Interest that the beneficiaries or the previous trusts will be delivered at the time of the merger of trusts;
  - (ii) the issues of Book-Entry Transfer Beneficial Interest in the previous trusts;
  - (iii) the percentage of the total number referred to in sub-item (b) which the total number referred to in sub-item (a) represents (hereinafter referred to as the "allotment ratio" in this Article):
    - (a) the total number of units of Book-Entry Transfer Beneficial Interest as referred to in item (i);
    - (b) the total number of units of Book-Entry Transfer Beneficial Interest as referred to in the preceding item.
  - (iv) the date on which the merger of trusts will take effect;
  - (v) the account of the issuer of Book-Entry Transfer Beneficial Interest as referred to in item (i) (or one of them, if it has multiple accounts);
  - (vi) information as set forth in Article 127-4, paragraph (3), item (vii) which Cabinet Order prescribes as information that the issuer is able to learn;
  - (vii) the total number of units of Book-Entry Transfer Beneficial Interest as referred to in item (i) which will be newly created as a result of the merger of trusts, and other information specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the first sentence of the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in items (i) to (vi) of that paragraph as regards the issue of Book-Entry Transfer Beneficial Interest about which it has been notified.
- (3) Upon being notified as referred to in the first sentence of paragraph (1), the Book-Entry Transfer Institution that has been so notified, on the date on which the merger of trusts takes effect, must take the following measures in the holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Beneficial Interest as referred to in item (ii) of that paragraph in the book-entry transfer account register that it maintains:
- (i) create entries or records showing increases in Book-Entry Transfer

Beneficial Interest as referred to in paragraph (1), item (i) equal to the numbers arrived at when each number of units of Book-Entry Transfer Beneficial Interest as referred to in item (ii) of that paragraph for which an entry or record has been created in a holdings or pledge column is multiplied by the allotment ratio, and create entries or records giving the information prescribed in item (vi) of that paragraph;

(ii) delete the entries or records for all Book-Entry Transfer Beneficial Interest as referred to in paragraph (1), item (ii).

(4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.

(5) Notwithstanding paragraph (3), if a Book-Entry Transfer Institution's creation of an entry or record showing an increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) would cause a non-whole number to be recorded or entered in a holdings or pledge column as prescribed paragraph (3), in lieu of creating the entry or record that it is required to create in that holdings or pledge column, the Book-Entry Transfer Institution, etc. must create an entry or record as prescribed by Cabinet Order in the holdings or pledge column subdivision of a Participant under that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (v), and issue the necessary instructions for the creation of the relevant entry or record to its Subordinate Institution pursuant to the provisions of Cabinet Order. In such a case, the Subordinate Institution must take measures that comply with those instructions.

(Creating Entries or Records If Book-Entry Transfer Beneficial Interest of Another Issue Is Delivered as a Result of the Splitting of a Trust)

Article 127-14 (1) If the beneficial interest in a split trust (meaning a split trust as prescribed in Article 155, paragraph (1), item (vi) of the Trust Act; hereinafter the same applies in this paragraph) is Book-Entry Transfer Beneficial Interest and the trustee seeks to deliver Book-Entry Transfer Beneficial Interest at the time of the absorption-type trust split; or if the beneficial interest in a trust prior to a creation-type trust split is Book-Entry Transfer Beneficial Interest and the trustee seeks to deliver Book-Entry Transfer Beneficial Interest at the time of the creation-type trust split, the trustee must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information, no later than two weeks prior to the day on which the trust split takes effect. In such a case, the provisions of Articles 127-5 and 127-6 do not apply:

- (i) the issue of Book-Entry Transfer Beneficial Interest that the beneficiaries of the split trust or the previous trust will be delivered at the time of the split;
  - (ii) the issue of Book-Entry Transfer Beneficial Interest in the split trust or the previous trust;
  - (iii) the percentage of the total number referred to in sub-item (b) which the total number referred to in sub-item (a) represents (hereinafter referred to as the "allotment ratio" in this Article):
    - (a) the total number of units of Book-Entry Transfer Beneficial Interest as referred to in item (i);
    - (b) the total number of units of Book-Entry Transfer Beneficial Interest as referred to in the preceding item.
  - (iv) the date on which the trust split will take effect;
  - (v) the account of the issuer of Book-Entry Transfer Beneficial Interest as referred to in item (i) (or one of them, if it has multiple accounts);
  - (vi) information as set forth in Article 127-4, paragraph (3), item (vii) which Cabinet Order prescribes as information that the issuer is able to learn;
  - (vii) the total number of units of Book-Entry Transfer Beneficial Interest as referred to in item (i) which will be newly created as a result of the splitting of the trust, and other information specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the first sentence of the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in items (i) to (vi) of that paragraph as regards the issue of Book-Entry Transfer Beneficial Interest about which it has been notified.
- (3) Upon being notified as referred to in the first sentence of paragraph (1), the Book-Entry Transfer Institution that has been so notified, on the date when the trust split takes effect, must create entries or records in the holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Beneficial Interest as referred to in item (ii) of that paragraph in the book-entry transfer account register that it maintains, showing increases in Book-Entry Transfer Beneficial Interest as referred to in item (i) of that paragraph equal to the numbers arrived at when each number of units of Book-Entry Transfer Beneficial Interest as referred to in item (ii) of that paragraph for which an entry or record has been created in the holdings or pledge column is multiplied by the allotment ratio, and giving the information prescribed in item (vi) of that paragraph.
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.



(5) Notwithstanding paragraph (3), if a Book-Entry Transfer Institution's creation of an entry or record showing an increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) would cause a non-whole number to be recorded or entered in a holdings or pledge column as prescribed paragraph (3), in lieu of creating the entry or record that it is required to create in that holdings or pledge column, the Book-Entry Transfer Institution, etc. must create an entry or record as prescribed by Cabinet Order in the holdings or pledge column subdivision of a Participant under that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (v), and issue the necessary instructions for the creation of the relevant entry or record to its Subordinate Institution pursuant to the provisions of Cabinet Order. In such a case, the Subordinate Institution must take measures that comply with those instructions.

(Changing Entries or Records)

Article 127-15 If a Book-Entry Transfer Institution learns of a change having arisen with respect to information as set forth in one of the items of Article 127-4, paragraphs (3), (4) or (5) in connection with the book-entry transfer account register that it maintains, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book Entry Trasfer**

(Transfer of Book-Entry Transfer Beneficial Interest)

Article 127-16 A transfer of Book-Entry Transfer Beneficial Interest does not take effect unless the transferee has had an entry or record created in the holdings column of its account (or in the column where the information set forth in Article 127-4, paragraph (5), item (ii) is entered or recorded, for the Institution-Held Account), based on an application for book-entry transfer, showing an increase equal to the number of units of Book-Entry Transfer Beneficial Interest subject to the transfer.

(Pledges of Book-Entry Transfer Beneficial Interest)

Article 127-17 A pledge of Book-Entry Transfer Beneficial Interest does not take effect unless the pledgee has had an entry or record created in the pledge column of its account, based on an application for book-entry transfer, showing an increase equal to the number of units of Book-Entry Transfer Beneficial Interest subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer Beneficial Interest That Is

Trust Property)

Article 127-18 (1) Unless an entry or record has been created for Book-Entry Transfer Beneficial Interest in a book-entry transfer account register pursuant to the provisions of Article 127-4, paragraph (3), item (v), indicating that the Book-Entry Transfer Beneficial Interest is trust property, it is not permissible to assert against a third party that the Book-Entry Transfer Beneficial Interest is trust property.

(2) An entry or record in a book-entry transfer account register as prescribed in the preceding paragraph is created pursuant to the provisions of Cabinet Order.

(Participants' Presumed Rights)

Article 127-19 A Participant is presumed to be the lawful holder of the rights under a Book-Entry Transfer Beneficial Interest that has been entered or recorded in the account thereof (but only in its own account, if the Participant is an Account Management Institution).

(Acquisition in Good Faith)

Article 127-20 A Participant (or a Book-Entry Transfer Institution with an Institution-Held Account) that has had an entry or record created in its account (but only in its own account, if it is an Account Management Institution), based on an application for book-entry transfer, showing an increase in Book-Entry Transfer Beneficial Interest of a particular issue acquires the rights associated with the entry or record showing the increase in the Book-Entry Transfer Beneficial Interest of that issue; provided, however that this does not apply if the Participant has acted in bad faith or with gross negligence.

(Book-Entry Transfer Institution's Obligations If There Are Entries or Records of Overages)

Article 127-21 (1) If the total number of units of Book-Entry Transfer Beneficial Interest of an issue as prescribed in the preceding Article which all beneficiaries hold based on acquisitions of Book-Entry Transfer Beneficial Interest under that Article comes to exceed the total number of units of Book-Entry Transfer Beneficial Interest of that issue which have been issued (excluding the number of units of Book-Entry Transfer Beneficial Interest whose associated beneficial claims have had their underlying obligations paid in full), and the aggregate number referred to in item (i) comes to exceed the total number referred to in item (ii), the Book-Entry Transfer Institution has a duty to acquire Book-Entry Transfer Beneficial Interest in that issue until its holdings reach the number in overage (meaning the aggregate number referred to in item (i), less the total number referred to in item (ii)):

- (i) the aggregate number of units of Book-Entry Transfer Beneficial Interest of that issue which have been entered or recorded in the accounts of Participants of the Book-Entry Transfer Institution, in the book-entry transfer account register maintained by that Book-Entry Transfer Institution;
  - (ii) the total number of units of Book-Entry Transfer Beneficial Interest of that issue (other than the number of units of Book-Entry Transfer Beneficial Interest whose associated beneficial claims have had their underlying obligations paid in full).
- (2) If there is any number as prescribed in item (i) of the preceding paragraph for which an entry or record showing an increase or reduction has been created in an account as prescribed in that item, but the rights associated with that entry or record have not arisen, been transferred, or been extinguished, and it is proven that nobody has acquired Book-Entry Transfer Beneficial Interest pursuant to the provisions of the preceding Article in the number for which the entry or record has been created, that number is treated as if the entry or record had not been created.
- (3) Once a Book-Entry Transfer Institution acquires Book-Entry Transfer Beneficial Interest pursuant to the provisions of paragraph (1), it has a duty to immediately manifest its intention to the issuer to be bound by its release of the issuer from all obligations related to that Book-Entry Transfer Beneficial Interest.
- (4) The rights under the Book-Entry Transfer Beneficial Interest prescribed in the preceding paragraph are extinguished once an intention to be bound by a release is manifested pursuant to that paragraph.
- (5) Once a Book-Entry Transfer Institution manifests its intention to be bound by a release pursuant to the provisions of paragraph (3) with respect to Book-Entry Transfer Beneficial Interest, it must immediately enter deletions for the Book-Entry Transfer Beneficial Interest in the book-entry transfer account register.

(Account Management Institutions' Obligations If There Are Entries or Records of Overages)

Article 127-22 (1) In a case as prescribed in paragraph (1) of the preceding Article, if there is an Account Management Institution in connection with which the aggregate number referred to in item (i) comes to exceed the number referred to in item (ii), the Account Management Institution has a duty to manifest its intention to the issuer to be bound by its release of the issuer from all obligations related to Book-Entry Transfer Beneficial Interest of that issue in a number equal to the overage (meaning the aggregate number referred to in item (i), less the number referred to in item (ii)):

- (i) the aggregate number of units of Book-Entry Transfer Beneficial Interest of that issue which have been entered or recorded in the accounts of the Participants of the Account Management Institution, in the book-entry transfer account register maintained by that Account Management Institution;
  - (ii) the number of units of Book-Entry Transfer Beneficial Interest of that issue which have been entered or recorded in the customer account subdivision under the account of the Account Management Institution, in the book-entry transfer account register maintained by its Immediately Superior Institution.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to:
- (i) the number prescribed in item (i) of the preceding paragraph;
  - (ii) the number set forth in item (ii) of the preceding paragraph, if an entry or record showing an increase or reduction has been created in a customer account as prescribed in that item but the rights associated with that entry or record have not arisen, been transferred, or been extinguished.
- (3) In a case as referred to in paragraph (1), if the Account Management Institution does not hold Book-Entry Transfer Beneficial Interest of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph, it has a duty to acquire Book-Entry Transfer Beneficial Interest in that issue until its holdings reach the number in overage, before manifesting its intention to be bound by a release under the provisions of that paragraph.
- (4) Once an Account Management Institution manifests its intention to be bound by a release pursuant to the provisions of paragraph (1), it must immediately notify its Immediately Superior Institution:
- (i) that it has manifested the intention to be bound by the release;
  - (ii) of the issue and the number of units of Book-Entry Transfer Beneficial Interest with respect to which it has manifested the intention to be bound by the release.
- (5) Upon being notified as referred to in the preceding paragraph, the Immediately Superior Institution referred to in that paragraph must immediately create the following entries or records regarding Book-Entry Transfer Beneficial Interest as set forth in item (ii) of that paragraph, in the book-entry transfer account register that it maintains:
- (i) an entry or record under the account of the Account Management Institution referred to in that paragraph in the subdivision for the institution's own account, showing a reduction equal to the number referred to in item (ii) of the preceding paragraph;
  - (ii) an entry or record in the customer account subdivision under the account referred to in the preceding item, showing an increase equal to the number

referred to in item (ii) of the preceding paragraph.

(Handling in the Event of Book-Entry Transfer Institution's Non-performance of Obligations as Regards Entries or Records of Overages)

Article 127-23 (1) In a case as prescribed in Article 127-21, paragraph (1), until the Book-Entry Transfer Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a beneficiary may not assert an interest against the issuer as regards the part of the Book-Entry Transfer Beneficial Interest of the relevant issue that the beneficiary holds which corresponds to the number arrived at when the percentage of the total number referred to in item (ii) that the number referred to in item (i) accounts for is multiplied by the number in overage as prescribed in paragraph (1) of that Article (or by the number in overage less any number representing partial performance of the obligation referred to in paragraph (3) of that Article) (hereinafter referred to as the "maximum number ascribable to the book-entry transfer institution" in the next paragraph):

- (i) the number of units of Book-Entry Transfer Beneficial Interest of that issue that the beneficiary holds (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer Beneficial Interest of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number of units of Book-Entry Transfer Beneficial Interest of that issue that the beneficiary holds less the maximum number ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that beneficiary (but only in respect of the beneficiary of Book-Entry Transfer Beneficial Interest that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
- (ii) the total number of units of Book-Entry Transfer Beneficial Interest of that issue that all beneficiaries hold (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer Beneficial Interest of that issue pursuant to the provisions of paragraph (1) of the preceding Article, that total number of units of interest less the total of the maximum numbers ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the beneficiaries of Book-Entry Transfer

Beneficial Interest that has been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution ).

(2) In the case prescribed in Article 127-21, paragraph (1), the Book-Entry Transfer Institution prescribed in that paragraph assumes the following duties toward each beneficiary:

(i) in a case as referred to in the preceding paragraph, the duty to pay, in lieu of the issuer, the obligation underlying the beneficial claim associated with the Book-Entry Transfer Beneficial Interest of the relevant issue that each beneficiary holds, up to the maximum number ascribable to the book-entry transfer institution;

(ii) the duty to indemnify the beneficiary for any damage caused by non-performance of obligations as referred to in Article 127-21, paragraph (1) or (3), beyond what is set forth in the preceding item.

(Handling in the Event of Account Management Institutions' Non-performance of Obligations as Regards Entries or Records of Overages)

Article 127-24 (1) In a case as prescribed in Article 127-22, paragraph (1), until the Account Management Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a beneficiary (but only the beneficiary of a Book-Entry Transfer Beneficial Interest that has been entered or recorded in an account opened by that Account Management Institution or by its Subordinate Institution) may not assert an interest against the issuer as regards the part of the Book-Entry Transfer Beneficial Interest of the relevant issue that the beneficiary holds which corresponds to the number arrived at when the percentage of the total number referred to in item (ii) that the number referred to in item (i) accounts for is multiplied by the number in overage prescribed in paragraph (1) of that Article (or by the number in overage less any number representing partial performance of the obligation referred to in that paragraph) (hereinafter referred to as the "maximum number ascribable to the account management institution" in this Article):

(i) the number of units of Book-Entry Transfer Beneficial Interest of that issue that the beneficiary holds (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer Beneficial Interest of that issue pursuant to the provisions of paragraph (1) of Article 127-22, the number of units of such interest less the maximum number ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of that beneficiary (but only in respect of the beneficiary of a Book-Entry Transfer Beneficial Interest that has been entered or recorded in an

account opened by that Subordinate Institution or by its Subordinate Institution));

(ii) the total number of units of Book-Entry Transfer Beneficial Interest of that issue held by all of the beneficiaries with a Book-Entry Transfer Beneficial Interest that have been entered or recorded in accounts opened by that Account Management Institution or by its Subordinate Institution (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a release of obligations with respect to Book-Entry Transfer Beneficial Interest of that issue pursuant to the provisions of paragraph (1) of Article 127-22, that total number of units of interest less the total of the maximum numbers ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of all of the beneficiaries of Book-Entry Transfer Beneficial Interest that has been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).

(2) In the case prescribed in Article 127-22, paragraph (1), the Account Management Institution prescribed in that paragraph assumes the following duties toward a beneficiary as prescribed in the preceding paragraph:

- (i) in a case as referred to in the preceding paragraph, the duty to pay, in lieu of the issuer, the obligation underlying the beneficial claim associated with the part of the Book-Entry Transfer Beneficial Interest of the relevant issue that a beneficiary as prescribed the preceding paragraph holds, up to the maximum number ascribable to the account management institution;
- (ii) the duty to indemnify the beneficiary for any damage caused by non-performance of obligations as referred to in Article 127-22, paragraph (1) or (3), beyond what is set forth in the preceding item.

(Handling If the Issuer Pays Obligations Underlying Beneficial Claims Associated with Book-Entry Transfer Beneficial Interest in Error)

Article 127-25 (1) Even if an issuer is acting in good faith, its payment of an obligation underlying a beneficial claim associated with a number of units of interest that the provisions of Article 127-23, paragraph (1) or paragraph (1) of the preceding Article establish the issuer as not having a duty to pay does not have the effect of extinguishing the issuer's obligations in respect of other Book-Entry Transfer Beneficial Interest of that issue.

(2) In a case as referred to in the preceding paragraph, a beneficiary does not have a duty to return to the issuer the amount of the obligation paid as prescribed in that paragraph.

(3) If an issuer pays an obligation as prescribed in paragraph (1), it acquires the rights of a beneficiary under Article 127-23, paragraph (2), item (i) or

paragraph (2), item (i) of the preceding Article toward the Book-Entry Transfer Institution, etc., to the extent of the amount prescribed in the preceding paragraph.

#### **Section 4 Special Provisions of the Trust Act**

(Special Provisions of the Trust Act on Information Required to Be Specified or Recorded in the Beneficial Interest Register)

Article 127-26 A beneficial interest register that is for Book-Entry Transfer Beneficial Interest must include an entry or record indicating that this Act applies to that Book-Entry Transfer Beneficial Interest.

(Presentation of Certificates)

- Article 127-27 (1) In order to exercise a beneficial interest (this excludes the exercise of a beneficial claim), a beneficiary of a Book-Entry Transfer Beneficial Interest, after having been issued a paper-based document pursuant to the main clause of paragraph (3), must present that document to the issuer.
- (2) In order to vote at a beneficiaries meeting, the beneficiary of a Book-Entry Transfer Beneficial Interest must present the document prescribed in the preceding paragraph one week prior to the date of the beneficiaries meeting, and must also present it on the day of the meeting.
- (3) A beneficiary of Book-Entry Transfer Beneficial Interest may demand that its Immediately Superior Institution issue a paper-based document certifying the information set forth in the items of Article 127-4, paragraph (3) with regard to Book-Entry Transfer Beneficial Interest entered or recorded under its own account in the book-entry transfer account register maintained by its Immediately Superior Institution (other than the information specified by Ordinance of the Competent Ministry); provided, however, that this does not apply to a person that has already been issued a document under this paragraph with regard to that Book-Entry Transfer Beneficial Interest, and that has not returned that document to its Immediately Superior Institution.
- (4) A beneficiary that has been issued a paper-based document pursuant to the main clause of the preceding paragraph may not apply for a book-entry transfer or deletion with respect to the Book-Entry Transfer Beneficial Interest certified by the document until the beneficiary returns the document to the Immediately Superior Institution referred to in that paragraph.

(Special Provisions of the Trust Act on the Exercise of Appraisal Rights on a Beneficial Interest)

Article 127-28 If a beneficiary of Book-Entry Transfer Beneficial Interest exercises its appraisal rights on that Book-Entry Transfer Beneficial Interest



pursuant to the provisions of Article 103, paragraph (1) or (2) of the Trust Act, the issuer may demand that, in exchange for its paying for the Book-Entry Transfer Beneficial Interest, the beneficiary file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Beneficial Interest using the issuer's account as the transferee account.

(Special Provisions of the Trust Act on Trust Mergers)

Article 127-29 (1) If a beneficial interest that will be extinguished in a merger of trusts is not a Book-Entry Transfer Beneficial Interest and the trustee seeks to issue a Book-Entry Transfer Beneficial Interest to a beneficiary at the time of the merger, it must notify the relevant person as referred to in Article 127-6, paragraph (1), item (i), using the effective date of the merger of trusts as the date referred to in that item.

(2) If a beneficial interest that will be extinguished in a merger of trusts is a Book-Entry Transfer Beneficial Interest and the trustee seeks to issue a beneficiary interest that is not a Book-Entry Transfer Beneficial Interest at the time of the merger, it must give the relevant person notice of the deletion of all entries or records, using the effective date of the merger of trusts as the date referred to in Article 127-10, paragraph (1), item (ii).

(Special Provisions of the Trust Act on Book-Entry Transfer Beneficial Interest)

Article 127-30 In applying the provisions of the Trust Act that concern Book-Entry Transfer Beneficial Interest, Book-Entry Transfer Beneficial Interest is deemed to be beneficial interest in a trust issuing beneficiary certificates.

(Exclusion from Application)

Article 127-31 The provisions of Article 186, items (iii) and (iv), Articles 189 and 194, Article 195, paragraph (1), Article 197, paragraphs (1) to (3) inclusive, Article 198, paragraphs (1) and (2), Article 199, Article 200, paragraph (1) and Article 201, paragraph (1) do not apply to Book-Entry Transfer Beneficial Interest.

## **Section 5 Miscellaneous Provisions**

Article 127-32 (1) Upon being notified as referred to in Article 127-5, paragraph (1), the Book-Entry Transfer Institution that has been so notified must immediately take measures, using the means prescribed by Cabinet Order, that will enable the Participants to learn the information set forth in item (vii) of that paragraph concerning Book-Entry Transfer Beneficial Interest of the

issue to which the notice pertains.

- (2) The expenses incurred in connection with the measures referred to in the preceding paragraph are paid out of the trust property associated with the Book-Entry Transfer Beneficial Interest referred to in that paragraph.

## **Chapter VII Book Entry Transfer of Shares**

### **Section 1 General Rules**

Article 128 (1) The ownership of rights under a share (other than a share with a restriction on transfer) in a company not providing for the issuance of share certificates in its articles of incorporation, which is handled by a Book-Entry Transfer Institution (hereinafter referred to as a "Book-Entry Transfer Share"), is established by the entries or records in a book-entry transfer account register as under the provisions of this Chapter.

- (2) The issuer must be acting with the consent of all of the incorporators or in accordance with a board of directors' resolution to give the consent referred to in Article 13, paragraph (1) with respect to shares therein.

### **Section 2 Book-Entry Transfer Account Registers**

(Information Required to Be Entered or Recorded in a Book-Entry Transfer Account Register)

Article 129 (1) A book-entry transfer account register is subdivided by account for each Participant.

- (2) The account of an Account Management Institution in a book-entry transfer account register is subdivided as follows:
  - (i) an account in which entries or records are created for Book-Entry Transfer Shares under which the Account Management Institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter);
  - (ii) an account in which entries or records are created for Book-Entry Transfer Shares under which the Participants of the Account Management Institution or of its Subordinate Institution hold rights (hereinafter referred to as a "customer account" in this Chapter).
- (3) Entries or records giving the following information are made for each account (other than customer accounts) in a book-entry transfer account register:
  - (i) the name and address of the Participant;
  - (ii) the issuer's trade name and the class of Book-Entry Transfer Shares, if the issuer is a company with multiple classes of shares (hereinafter referred to as the "issue" in this Chapter);
  - (iii) the number of Book-Entry Transfer Shares, by issue (other than as set forth in the following item);

- (iv) that the Participant in question is a pledgee, if this is the case; the number of Book-Entry Transfer Shares that have been pledged thereto, by issue; the number of Book-Entry Transfer Shares of each issue that each shareholder has pledged thereto; and the names and addresses of those shareholders;
  - (v) that the Participant in question is the trustee of a trust, if this is the case; and the number of Book-Entry Transfer Shares as referred to in the preceding two items which constitute trust property;
  - (vi) if an entry or record has been created showing an increase or reduction in the number referred to in item (iii) or (iv), whether it shows an increase or reduction, the number by which the Book-Entry Transfer Shares have increased or been reduced, and the date on which the entry or record was created;
  - (vii) other information specified by Cabinet Order.
- (4) Entries or records giving the following information are made for each customer account in a book-entry transfer account register:
- (i) the information set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the number of Book-Entry Transfer Shares, by issue;
  - (iii) other information specified by Cabinet Order.
- (5) If a Book-Entry Transfer Institution opens an Institution-Held Account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
  - (ii) the number of Book-Entry Transfer Shares, by issue;
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one as specified by Ordinance of the Competent Ministry).

(Creating New Entries or Records upon Issuance of Book-Entry Transfer Shares)

- Article 130 (1) The issuer of Book-Entry Transfer Shares of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information without delay after the date on which it issues those Book-Entry Transfer Shares (or after the day on which it gives the consent referred to in Article 13, paragraph (1), if the issuer gives that consent with regard to shares therein after the incorporation of the company (hereinafter referred to as "consent after incorporation" in this paragraph)):
- (i) the issue of the Book-Entry Transfer Shares that it has issued or for which it has given consent after incorporation;
  - (ii) the names of the Participants that constitute the holders and the registered

- pledgees (meaning a registered pledgee of shares as prescribed in Article 152, paragraph (1) of the Companies Act; the same applies hereinafter) of the Book-Entry Transfer Shares referred to in the preceding item;
- (iii) the accounts opened for the Participants referred to in the preceding item in which book entries can be made for the Book-Entry Transfer Shares referred to in item (i);
- (iv) the number of Book-Entry Transfer Shares as referred to in item (i) for each Participant (other than as set forth in the following item);
- (v) that a Participant is a registered pledgee of shares, if this is the case; the number of Book-Entry Transfer Shares as referred to in item (i) that have been pledged to each Participant; and the number of these shares that each shareholder has pledged;
- (vi) the names and addresses of the shareholders referred to in the preceding item;
- (vii) that a Participant is the trustee of a trust, if this is the case; and the number of Book-Entry Transfer Shares as referred to in items (iv) and (v) which constitute trust property;
- (viii) information as set forth in paragraph (3), item (vii) of the preceding Article which Cabinet Order prescribes as information that the issuer is able to learn;
- (ix) the total number of Book-Entry Transfer Shares as referred to in item (i) and other information specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately take the following measures for the issue of Book-Entry Transfer Shares about which it has been notified:
- (i) create the following entries or records, if the Book-Entry Transfer Institution is the one that opened the account referred to item (iii) of the preceding paragraph:
- (a) an entry or record showing an increase equal to the number referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph (but only one that is a shareholder as referred to in that item), in the column of the account where the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);
- (b) an entry or record showing an increase equal to the number of Book-Entry Transfer Shares as referred to in item (v) of the preceding paragraph and the number of these shares ascribable to each shareholder, for a Participant as referred to in item (ii) of that paragraph (but only one that is a registered pledgee of shares as referred to in that item), in the column of the account where the information set forth in paragraph (3), item (iv) of

- the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
- (c) an entry or record in the pledge column of the account showing the information referred to in item (vi) of the preceding paragraph;
  - (d) an entry or record in the account showing an increase equal to the number of Book-Entry Transfer Shares constituting trust property as referred to in item (vii) of the preceding paragraph;
  - (e) an entry or record in the account showing the information set forth in item (viii) of the preceding paragraph.
- (ii) create an entry or record showing an increase equal to the total of the number referred to in item (iv) of the preceding paragraph and the number of Book-Entry Transfer Shares as referred to in item (v) of that paragraph for a Participant as referred to in item (ii) of that paragraph, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant, and notify the Immediately Subordinate Institution of the information set forth in items (i) to (viii) inclusive of that paragraph, if the Book-Entry Transfer Institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding paragraph apply mutatis mutandis to the Account Management Institution that has been so notified.

(Procedures If a Company Cannot Find the Account of a Shareholder)

- Article 131 (1) If a company seeks to deliver Book-Entry Transfer Shares of a particular issue but is unable to find an account that has been opened for the holder or registered pledgee of the Book-Entry Transfer Shares it seeks to deliver in which book entries can be made for Book-Entry Transfer Shares, the company (or the person specified by Ordinance of the Competent Ministry as being equivalent to such a company, if it is delivering Book-Entry Transfer Shares at the time of a consolidation-type merger or in any other case specified by Ordinance of the Competent Ministry; hereinafter referred to as the "notifier" in this Article) must notify the person that Ordinance of the Competent Ministry prescribes as the one that will become the holder or registered pledgee of those Book-Entry Transfer Shares, of the following information, by one month prior to the fixed date referred to in item (i):
- (i) that the company will notify the relevant party as referred to in paragraph (1) of the preceding Article or apply for a book-entry transfer to be made for the holder (other than the holder of shares underlying a pledge, if there is a registered pledgee) or registered pledgee of the Book-Entry Transfer Shares

- on a fixed date;
- (ii) that the notifier must be notified of the account opened for the shareholder or registered pledgee referred to in the preceding item (other than an account opened by a Book-Entry Transfer Institution, etc. based on a request as referred to in the main clause of paragraph (3)) in which book entries can be made for the Book-Entry Transfer Shares, by the fixed date referred to in that item;
  - (iii) the name and address of the Book-Entry Transfer Institution, etc. that opens accounts based on requests as referred to in the main clause of paragraph (3);
  - (iv) other information specified by Ordinance of the Competent Ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than a company as referred to in that paragraph, the notifier must notify the company, on the fixed date referred to in item (i) of that paragraph, of the account as referred to in item (ii) of that paragraph of which the shareholder or registered pledgee referred to in that item has notified it.
- (3) If a shareholder or registered pledgee as referred to in paragraph (1), item (i) does not notify the notifier of an account as referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, the company must request the Book-Entry Transfer Institution, etc. referred to in item (iii) of that paragraph to open an account for the shareholder or registered pledgee in which book entries can be made for the Book-Entry Transfer Shares (hereinafter referred to as a "special account" in this Chapter); provided, however, that this does not apply if there is a special account open that the company has requested be opened for the shareholder or registered pledgee.
- (4) If a company is the issuer of shares that constitute Book-Entry Transfer Shares as referred to in paragraph (1) but has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the Book-Entry Transfer Institution with respect to those shares.
- (5) In the case prescribed in paragraph (1), when the company notifies the relevant party as referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) of which it is notified by the shareholder or registered pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if it has not been so notified) as the account referred to in paragraph (1), item (iii) of the preceding Article.

(Making Book-Entries)

Article 132 (1) On receiving an application for a book-entry transfer involving Book-Entry Transfer Shares of a particular issue, a Book-Entry Transfer

Institution, etc., pursuant to the provisions of paragraphs (4) to (8) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction or increase in the book-entry transfer account register that it maintains, or must notify the relevant person.

- (2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record of a reduction is to file with its Immediately Superior Institution.
- (3) A person filing an application as referred to in paragraph (1) must indicate the following information in that application:
  - (i) the issue and the number of Book-Entry Transfer Shares for which entries or records showing a reduction and increase will need to be created when the book-entry transfer is effected;
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the account of the Participant referred to in the preceding paragraph;
  - (iii) the names and addresses of the holders of Book-Entry Transfer Shares in connection with which entries or records will need to be created, and the number constituting each holder's part of the number of Book-Entry Transfer Shares that is referred to in item (i) (hereinafter referred to as the "number subject to book-entry transfer" in this Article), if the reduction will be entered or recorded in the pledge column of the account referred to in the preceding item;
  - (iv) the account in which the entry or record showing the increase will need to be created (this excludes a customer account; hereinafter referred to as the "transferee account" in this Chapter);
  - (v) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (this excludes the Institution-Held Account);
  - (vi) the number constituting each shareholder's part of the number subject to book-entry transfer and the names and addresses of those shareholders, if the increase will be entered or recorded in the pledge column of the transferee account (this excludes the Institution-Held Account).
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
  - (i) create the following entries or records in the holdings column or pledge column of the account of the Participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph:
    - (a) an entry or record showing a reduction equal to the number subject to

- book-entry transfer;
- (b) an entry or record showing a reduction equal to the number of Book-Entry Transfer Shares ascribable to each shareholder as referred to in item (iii) of the preceding paragraph, if the entry or record showing the reduction referred to in sub-item (a) is created in the pledge column.
- (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of items (i) and (iv) to (vi) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is not the Common Immediately Superior Institution for the book-entry transfer;
- (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer in either the holdings column or the pledge column of the transferee account, as indicated pursuant to the provisions of item (v) of the preceding paragraph (or in the column where the information set forth in Article 129, paragraph (5), item (ii) is entered or recorded, for an Institution-Held Account; hereinafter referred to as the "transferee column"), if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
- (iv) create the following entries or records in the pledge column, in a case as referred to in the preceding item, if the transferee column is the pledge column:
  - (a) an entry or record showing an increase equal to the number of Book-Entry Transfer Shares for each shareholder as referred to in item (vi) of the preceding paragraph;
  - (b) an entry or record giving the name and address of the shareholders.
- (v) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution, etc.'s Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information indicated pursuant to the provisions of items (i) and (iv) through (vi) inclusive of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
  - (i) create an entry or record showing a reduction equal to the number subject to book-entry transfer in the customer account subdivision under the account of the Account Management Institution that has notified it;



- (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is not the Common Immediately Superior Institution for the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer in the transferee column of the transferee account, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) create the entries or records set forth in item (iv), sub-items (a) and (b) of the preceding paragraph in the pledge column, in a case as referred to in the preceding item, if the transferee column is the pledge column;
  - (v) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution, etc.'s Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (7) Upon being notified as referred to in paragraph (4), item (v) or paragraph (5), item (v) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph), the Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing an increase equal to the number subject to book-entry transfer in the transferee column of the transferee account, if the Account Management Institution is the one that opened the transferee account;
  - (ii) create the entries or records set forth in paragraph (4), item (iv), sub-items (a) and (b) in the pledge column in a case as referred to in the preceding item, if the transferee column is the pledge column.
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Account Management Institution's Immediately

Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of paragraph (4), item (v) or paragraph (5), item (v), if the Account Management Institution is not the one that opened the transferee account.

- (8) The provisions of the preceding paragraph apply mutatis mutandis to an Account Management Institution that is notified as referred to in item (iii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(Special Provisions on Making Book-Entries for Book-Entry Transfer Shares That Have Been Entered or Recorded in a Special Account)

Article 133 (1) A Participant may not apply for a book-entry transfer involving a Book-Entry Transfer Share that has been entered or recorded in a special account if the transferee account is other than that of the Participant or that of the issuer of the Book-Entry Transfer Share.

- (2) If, after the notice referred to in Article 130, paragraph (1), or an application for a book-entry transfer involving Book-Entry Transfer Shares of a particular issue is made, a person that, before the notice or application, acquired shares of a particular issue before they became Book-Entry Transfer Shares, but for which no entry or record has been created in the shareholder register, or any other person specified by Ordinance of the Competent Ministry (hereinafter referred to as the "acquirer or other such person" in this Article) files a joint request together with the Participant with the special account in which the Book-Entry Transfer Shares have been entered or recorded, the issuer must take the following actions. The same applies if the acquirer or other such person files a request accompanied by an authenticated copy or certified copy of an enforceable judgment that orders the Participant to file such a request or accompanied by any other paper document specified by Ordinance of the Competent Ministry as being equivalent thereto, and the same also applies in cases prescribed by Ordinance of the Competent Ministry as those in which the interests of the Participant and other interested persons are unlikely to be prejudiced even if the issuer takes the following actions as requested by the acquirer or other such person:

- (i) filing a request as referred to in the main clause of Article 131, paragraph (3) for the acquirer or other such person;
- (ii) filing an application for the book-entry transfer of those Book-Entry Transfer Shares in the transferee account that has been opened as per the request referred to in the preceding item.

- (3) A Participant other than the issuer that has requested for a special account to be opened may not apply for a book-entry transfer with the special account as

the transferee account.

(Making Deletions)

- Article 134 (1) On receiving an application for the deletion of a Book-Entry Transfer Share of a particular issue, a Book-Entry Transfer Institution, etc., pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (2) The application referred to in the preceding paragraph is something that the issuer is to file with the Immediately Superior Institution with which it has opened the account (this excludes a customer account) in which the reduction resulting from the deletion will be entered or recorded.
- (3) In its application under paragraph (1) the issuer must indicate the issue and the number of Book-Entry Transfer Shares for which an entry or record showing a reduction will need to be created as the result of the deletion.
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer Institution, etc. receiving it must take the following measures without delay:
- (i) create an entry or record showing a reduction equal to the number prescribed in the preceding paragraph in the holdings column of the issuer's account;
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer Institution, etc. that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the number under paragraph (3) in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer Institution, etc. is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer Institution, etc. that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(Deleting All Entries or Records)

Article 135 (1) The issuer of Book-Entry Transfer Shares of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date under item (ii) before deleting all of the entries or records regarding those Book-Entry Transfer Shares:

(i) the issue of Book-Entry Transfer Shares;

(ii) the date for the deletion of all of the entries or records regarding those Book-Entry Transfer Shares.

(2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Shares about which it has been notified.

(3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified must delete the entries or records for all Book-Entry Transfer Shares as referred to in item (i) of that paragraph from the accounts in the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Shares (for accounts other than the Institution-Held Account or a customer account, this means holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter).

(4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.

(Creating Entries or Records for a Merger of Book-Entry Transfer Shares)

Article 136 (1) Before merging Book-Entry Transfer Shares of a particular issue, the issuer thereof must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date under item (iii):

(i) the issue of Book-Entry Transfer Shares subject to the merger of shares;

(ii) the percentage arrived at when the percentage of the total issued number referred to in sub-item (b) which the total issued number referred to in sub-item (a) represents is subtracted from the number one (hereinafter referred to as the "percent reduction" in this Article):

(a) the total issued number of Book-Entry Transfer Shares after the merger of shares;

(b) the total issued number of Book-Entry Transfer Shares before the merger of shares;

(iii) the date on which the merger of shares will take effect;

- (iv) the issuer's account (or one of them, if it has multiple accounts).
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Shares about which it has been notified.
- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified, on the date referred to in item (iii) of that paragraph, must create entries or records under the holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Shares as referred to in item (i) of that paragraph in the book-entry transfer account register that it maintains, showing reductions equal to the numbers arrived at when each of the numbers that has been entered or recorded in a holdings or pledge column is multiplied by the percent reduction.
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.
- (5) Notwithstanding paragraph (3), if a Book-Entry Transfer Institution's creation of an entry or record showing a reduction pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) would cause a non-whole number to be recorded or entered in a holdings or pledge column as prescribed paragraph (3), in lieu of creating the entry or record that it is required to create for that holdings or pledge column, the Book-Entry Transfer Institution, etc. must create an entry or record as prescribed by Cabinet Order in the holdings or pledge column subdivision of a Participant under that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and issue the necessary instructions for the creation of the relevant entry or record to its Subordinate Institution pursuant to the provisions of Cabinet Order. In such a case, the Subordinate Institution must take measures that comply with those instructions.

(Creating Entries or Records for the Splitting of Book-Entry Transfer Shares)  
Article 137 (1) Before splitting Book-Entry Transfer Shares of a particular issue, the issuer thereof must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date on which the share split takes effect:

- (i) the issue of Book-Entry Transfer Shares subject to the split;
- (ii) the percentage of the total issued number referred to in sub-item (b) which

- the total number referred to in sub-item (a) represents (hereinafter referred to as the "percent increase" in this Article):
- (a) the total number of Book-Entry Transfer Shares that the shareholders will receive as a result of the share split;
  - (b) the total issued number of Book-Entry Transfer Shares before the share split.
  - (iii) the record date for the share split (meaning the record date as prescribed in Article 124, paragraph (1) of the Companies Act; hereinafter the same applies in this Chapter) and the date on which the share split takes effect;
  - (iv) the issuer's account (or one of them, if it has multiple accounts).
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of the Book-Entry Transfer Shares about which it has been notified.
- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified, on the date referred to in item (iii) of that paragraph, must create entries or records under the holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Shares as referred to in item (i) of that paragraph in the book-entry transfer account register that it maintains, showing increases equal to the numbers arrived at when each of the numbers that have been entered or recorded in a holdings or pledge column is multiplied by the percent increase.
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.
- (5) Notwithstanding paragraph (3), if a Book-Entry Transfer Institution's creation of an entry or record showing an increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) would cause a non-whole number to be recorded or entered in a holdings or pledge column as prescribed paragraph (3), in lieu of creating the entry or record that it is required to create for that holdings or pledge column, the Book-Entry Transfer Institution, etc. must create an entry or record as prescribed by Cabinet Order in the holdings or pledge column subdivision of a Participant under that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and issue the necessary instructions for the creation of the relevant entry or record to its Subordinate Institution pursuant to the provisions of Cabinet Order. In such a case, the Subordinate Institution must take measures that comply with those instructions.

(Creating Entries or Records If Book-Entry Transfer Shares of Another Issue Are Delivered as a Result of a Merger)

Article 138 (1) If the shares of a company disappearing in a merger or of a company effecting a share exchange or share transfer (hereinafter referred to as a "disappearing or wholly owned company" in this Chapter through Chapter IX) are Book-Entry Transfer Shares, and the surviving or wholly owning company or incorporated or wholly owning company seeks to deliver Book-Entry Transfer Shares at the time of the absorption-type merger or share exchange or at the time of the consolidation-type merger or share transfer, the disappearing or wholly owned company must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the effective date or date of incorporation. In such a case, the provisions of Articles 130 and 131 do not apply:

- (i) the issue of Book-Entry Transfer Shares that shareholders holding Book-Entry Transfer Shares in the disappearing or wholly owned company will be delivered at the time of the absorption-type merger or share exchange or at the time of the consolidation-type merger or share transfer;
  - (ii) the issue of Book-Entry Transfer Shares in the disappearing or wholly owned company;
  - (iii) the percentage of the total issued number referred to in sub-item (b) which the total number referred to in sub-item (a) represents (hereinafter referred to as the "allotment ratio" in this Article):
    - (a) the total number of Book-Entry Transfer Shares as referred to in item (i);
    - (b) the total issued number of Book-Entry Transfer Shares as referred to in the preceding item.
  - (iv) the effective date or date of incorporation;
  - (v) the account of the issuer of the Book-Entry Transfer Shares referred to in item (i) (or one of them, if it has multiple accounts);
  - (vi) information as set forth in Article 129, paragraph (3), item (vii) which Cabinet Order prescribes as information that the issuer is able to learn;
  - (vii) the total number of Book-Entry Transfer Shares as referred to in item (i) which are subject to issuance, and other information as specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the first sentence of the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in items (i) to (vi) of that paragraph as regards the issue of Book-Entry Transfer Shares about which it has been notified.
- (3) Upon being notified as referred to in the first sentence of paragraph (1), the

Book-Entry Transfer Institution that has been so notified, on the effective date or date of incorporation, must take the following measures in the holdings and pledge columns in which entries or records have been created for Book-Entry Transfer Shares as referred to in item (ii) of that paragraph in the book-entry transfer account register that it maintains:

- (i) create entries or records showing increases in Book-Entry Transfer Shares as referred to in paragraph (1), item (i) equal to the numbers arrived at when each number of Book-Entry Transfer Shares as referred to in item (ii) of that paragraph for which an entry or record has been created in a holdings or pledge column is multiplied by the allotment ratio, and create entries or records giving the information set forth in item (vi) of that paragraph;
  - (ii) delete the entries or records for all Book-Entry Transfer Shares as referred to in paragraph (1), item (ii).
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.
- (5) Notwithstanding paragraph (3), if a Book-Entry Transfer Institution's creation of an entry or record showing an increase pursuant to the provisions of paragraph (3) (including as applied mutatis mutandis pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) would cause a non-whole number to be recorded or entered in a holdings or pledge column as prescribed paragraph (3), in lieu of creating the entry or record that it is required to create in that holdings or pledge column, the Book-Entry Transfer Institution, etc. must create an entry or record as prescribed by Cabinet Order in the holdings or pledge column subdivision of a Participant under that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (v), and issue the necessary instructions for the creation of the relevant entry or record to its Subordinate Institution pursuant to the provisions of Cabinet Order. In such a case, the Subordinate Institution must take measures that comply with those instructions.
- (6) If the surviving or wholly owning company referred to in the first sentence of paragraph (1) seeks to transfer its own Book-Entry Transfer Shares at the time of the absorption-type merger or share exchange, it must apply for the deletion of those Book-Entry Transfer Shares on the effective date or date of incorporation. In such a case, notwithstanding the provisions of Article 140, those Book-Entry Transfer Shares are deemed to have been transferred to the shareholder of the disappearing or wholly owned company referred to in the first sentence of paragraph (1) at the time that the entry or record is created for the reduction referred to in Article 134, paragraph (4), item (i) pursuant to that application.



(Changing Entries or Records)

Article 139 If a Book-Entry Transfer Institution, etc. learns of a change having arisen with respect to information as set forth in one of the items of Article 129, paragraph (3), (4) or (5) in connection with the book-entry transfer account register that it maintains, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book Entry Transfer**

(Transfer of Book-Entry Transfer Shares)

Article 140 A transfer of Book-Entry Transfer Shares does not take effect unless the transferee has had an entry or record created in the holdings column of its account (or in the column where the information set forth in Article 129, paragraph (5), item (ii) is entered or recorded, for the Institution-Held Account), based on an application for book-entry transfer, showing an increase equal to the number of Book-Entry Transfer Shares subject to the transfer.

(Pledges of Book-Entry Transfer Shares)

Article 141 A pledge of Book-Entry Transfer Shares does not take effect unless the pledgee has had an entry or record created in the pledge column of its account, based on an application for book-entry transfer, showing an increase equal to the number of Book-Entry Transfer Shares subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer Shares That Are Trust Property)

Article 142 (1) Unless an entry or record has been created for a Book-Entry Transfer Share in a book-entry transfer account register pursuant to the provisions of Article 129, paragraph (3), item (v), indicating that the Book-Entry Transfer Share is trust property, it is not permissible to assert against a third party that the share is trust property.  
(2) An entry or record in a book-entry transfer account register as prescribed in the preceding paragraph is created pursuant to the provisions of Cabinet Order.

(Participants' Presumed Rights)

Article 143 A Participant is presumed to be the lawful holder of the rights under a Book-Entry Transfer Share that has been entered or recorded in the account thereof (but only in its own account, if the Participant is an Account Management Institution).

(Acquisition in Good Faith)

Article 144 A Participant (or a Book-Entry Transfer Institution with an Institution-Held Account) that has had an entry or record created in its account (but only in its own account, if it is an Account Management Institution), based on an application for book-entry transfer, showing an increase in Book-Entry Transfer Shares of a particular issue acquires the rights associated with the entry or record showing the increase in the Book-Entry Transfer Shares of that issue; provided, however that this does not apply if the Participant has acted in bad faith or with gross negligence.

(Book-Entry Transfer Institution's Obligations If There Are Entries or Records of Overages)

Article 145 (1) If the total number of Book-Entry Transfer Shares of an issue as prescribed in the preceding Article which all shareholders hold based on acquisitions of Book-Entry Transfer Shares under that Article comes to exceed the total issued number of Book-Entry Transfer Shares of that issue (other than any retired Book-Entry Transfer Shares), and the aggregate number referred to in item (i) exceeds the total issued number referred to in item (ii), the Book-Entry Transfer Institution has a duty to acquire Book-Entry Transfer Shares in that issue until its holdings reach the number in overage (meaning the aggregate number referred to in item (i), less the total issued number referred to in item (ii)):

- (i) the aggregate number of Book-Entry Transfer Shares of that issue which have been entered or recorded in the accounts of the Participants of the Book-Entry Transfer Institution, in the book-entry transfer account register maintained by that Book-Entry Transfer Institution;
  - (ii) the total issued number of Book-Entry Transfer Shares of that issue (other than any retired Book-Entry Transfer Shares and Book-Entry Transfer Shares with regard to which the issuer may not notify the relevant person as referred to in Article 159, paragraph (1)), pursuant to that Article.
- (2) If there is any number as prescribed in item (i) of the preceding paragraph for which an entry or record showing an increase or reduction has been created in an account as prescribed in that item, but the rights associated with that entry or record have not arisen, been transferred, or been extinguished, and it is proven that nobody has acquired Book-Entry Transfer Shares pursuant to the provisions of the preceding Article in the number for which the entry or record has been created, that number is treated as if the entry or record had not been created.
- (3) Once a Book-Entry Transfer Institution acquires Book-Entry Transfer Shares pursuant to the provisions of paragraph (1), it has a duty to immediately manifest its intention to the issuer to be bound by its renunciation of all rights to those Book-Entry Transfer Shares.

- (4) The rights under the Book-Entry Transfer Shares prescribed in the preceding paragraph are extinguished once an intention to be bound by a renunciation is manifested pursuant to that paragraph.
- (5) Once a Book-Entry Transfer Institution manifests its intention to be bound by a renunciation pursuant to the provisions of paragraph (3) with respect to Book-Entry Transfer Shares, it must immediately enter deletions for those Book-Entry Transfer Shares in the book-entry transfer account register.
- (6) If the issuer of Book-Entry Transfer Shares of an issue as referred to in paragraph (1) disposes of its own shares in order to allow the Book-Entry Transfer Institution to acquire Book-Entry Transfer Shares as under that paragraph, the provisions of Part II, Chapter II, Section 8 of the Companies Act do not apply. In such a case, the shares must be disposed of at a fair value.

(Account Management Institutions' Obligations If There Are Entries or Records of Overages)

- Article 146 (1) In a case as prescribed in paragraph (1) of the preceding Article, if there is an Account Management Institution in connection with which the total number referred to in item (i) comes to exceed the number referred to in item (ii), the Account Management Institution has a duty to manifest its intention to the issuer to be bound by its renunciation of all rights to the Book-Entry Transfer Shares of that issue in a number equal to the overage (meaning the aggregate number referred to in item (i), less the number referred to in item (ii)):
- (i) the aggregate number of Book-Entry Transfer Shares of that issue which have been entered or recorded in the accounts of the Participants of the Account Management Institution, in the book-entry transfer account register maintained by that Account Management Institution;
  - (ii) the number of Book-Entry Transfer Shares of that issue which have been entered or recorded in the customer account subdivision under the account of the Account Management Institution, in the book-entry transfer account register maintained by its Immediately Superior Institution.
- (2) The provisions of paragraph (2) of the preceding Article apply *mutatis mutandis* to:
- (i) the number prescribed in item (i) of the preceding paragraph;
  - (ii) the number set forth in item (ii) of the preceding paragraph, if an entry or record showing an increase or reduction has been created in a customer account as prescribed in that item but the rights associated with that entry or record have not arisen, been transferred, or been extinguished.
- (3) In a case as referred to in paragraph (1), if the Account Management Institution does not hold Book-Entry Transfer Shares of the issue prescribed in that paragraph in an amount equal to the overage prescribed in that paragraph,

it has a duty to acquire Book-Entry Transfer Shares in that issue until its holdings reach the amount of the overage, before manifesting its intention to be bound by a renunciation under the provisions of that paragraph.

- (4) Once an Account Management Institution has manifested its intention to be bound by a renunciation pursuant to the provisions of paragraph (1), it must immediately notify its Immediately Superior Institution:
  - (i) that it has manifested the intention to be bound by the renunciation;
  - (ii) of the issue and the number of Book-Entry Transfer Shares with respect to which it has manifested the intention to be bound by the renunciation.
- (5) Upon being notified as referred to in the preceding paragraph, the Immediately Superior Institution referred to in that paragraph must immediately create the following entries or records regarding Book-Entry Transfer Shares of the issue set forth in item (ii) of that paragraph, in the book-entry transfer account register that it maintains:
  - (i) an entry or record under the account of the Account Management Institution referred to in that paragraph in the subdivision for the institution's own account, showing a reduction equal to the number referred to in item (ii) of the preceding paragraph;
  - (ii) an entry or record in the customer account subdivision under the account referred to in the preceding item, showing an increase equal to the number referred to in item (ii) of the preceding paragraph.
- (6) If the issuer of Book-Entry Transfer Shares of an issue as referred to in paragraph (1) disposes of its own shares in order to allow the Account Management Institution referred to in paragraph (3) to acquire Book-Entry Transfer Shares as under that paragraph, the provisions of Part II, Chapter II, Section 8 of the Companies Act do not apply. In such a case, the shares must be disposed of at a fair value.

(Handling in the Event of Book-Entry Transfer Institution's Non-performance of Obligations as Regards Entries or Records of Overages)

Article 147 (1) In a case as prescribed in Article 145, paragraph (1), until the Book-Entry Transfer Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, it is not permissible for any of the shareholders to assert a share against the issuer as regards the part of the Book-Entry Transfer Shares of the relevant issue that the shareholder holds which corresponds to the number arrived at when the percentage of the total number referred to in item (ii) that the number referred to in item (i) accounts for is multiplied by the amount of the overage prescribed in paragraph (1) of that Article (or by the number in overage less any number representing partial performance of the obligation referred to in paragraph (3) of that Article):

- (i) the number of Book-Entry Transfer Shares of that issue that the shareholder holds (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of the rights to Book-Entry Transfer Shares of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number of such shares less the maximum number ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that shareholder (but only in respect of the holder of Book-Entry Transfer Shares that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total number of Book-Entry Transfer Shares of that issue that all of the shareholders hold (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of the rights to Book-Entry Transfer Shares of that issue pursuant to the provisions of paragraph (1) of the preceding Article, that total number of shares less the total of the maximum numbers ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of Book-Entry Transfer Shares that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) In the case prescribed in Article 145, paragraph (1), the Book-Entry Transfer Institution prescribed in that paragraph has a duty to indemnify each shareholder for damage caused by its non-performance of the obligations referred to in that paragraph and paragraph (3) of that Article.
- (3) In a case prescribed in Article 145, paragraph (1), if, within two weeks after notifying the shareholders as referred to in Article 151, paragraph (1), item (i) or (iv), a Book-Entry Transfer Institution as prescribed in Article 145, paragraph (1) manifests the intention to be bound by a renunciation of all rights to Book-Entry Transfer Shares pursuant to the provisions of Article 145, paragraph (3), the provisions of paragraph (1) do not apply to the exercise of rights prescribed in Article 124, paragraph (1) of the Companies Act by any shareholder other than one that the Book-Entry Transfer Institution has notified as a holder of such Book-Entry Transfer Shares (hereinafter referred to as a "specific notified shareholder" in this paragraph); provided, however, that this only applies if the Book-Entry Transfer Shares fall under one of the following items:
- (i) Book-Entry Transfer Shares with rights as prescribed in Article 124,

- paragraph (1) of the Companies Act, all of which a specific notified shareholder has manifested the intention to the issuer to be bound by the renunciation of within two weeks after being notified;
- (ii) the issuer's own treasury shares;
  - (iii) partial share units (meaning partial share units as prescribed in Article 189, paragraph (1) of the Companies Act; the same applies in Article 153), if the issuer has fixed the record date only so as to establish which persons will vote;
  - (iv) shares held by a shareholder specified by Ordinance of Ministry of Justice which is as prescribed in Article 308, paragraph (1) of the Companies Act, in a case as prescribed in the preceding item.
- (4) Once a Book-Entry Transfer Institution has fully performed the obligations referred to in Article 145, paragraph (3), the provisions of paragraph (1) do not apply to a shareholder's exercise of rights (other than the rights prescribed in Article 124, paragraph (1) of the Companies Act; these are referred to as "minority and other shareholders' rights" in paragraph (4) of the following Article and Article 154).

(Handling in the Event of Account Management Institutions' Non-performance of Obligations as Regards Entries or Records of Overages)

Article 148 (1) In a case as prescribed in 146, paragraph (1), until the Account Management Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a shareholder (but only the holder of a Book-Entry Transfer Share that has been entered or recorded in an account opened by that Account Management Institution or by its Subordinate Institution) may not assert a share against the issuer as regards the part of the Book-Entry Transfer Shares of the relevant issue that the shareholder holds which corresponds to the number arrived at when the percentage of the total number referred to in item (ii) that the number referred to in item (i) accounts for is multiplied by the number in overage prescribed in paragraph (1) of that Article (or by the number in overage less any number representing partial performance of the obligation referred to in that paragraph) (hereinafter referred to as the "maximum number ascribable to the account management institution" in this Article):

- (i) the number of Book-Entry Transfer Shares of that issue that the shareholder holds (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of the rights to Book-Entry Transfer Shares of that issue pursuant to the provisions of Article 146, paragraph (1), the number of such shares less the maximum number ascribable to the account management institution that constitutes that Subordinate Institution, for the overage

prescribed in that paragraph in respect of that shareholder (but only in respect of the holder of a Book-Entry Transfer Share that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));

- (ii) the total number of Book-Entry Transfer Shares of that issue held by all of the holders of Book-Entry Transfer Shares that have been entered or recorded in accounts opened by the Account Management Institution or by its Subordinate Institution (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of the rights to Book-Entry Transfer Shares of that issue pursuant to the provisions of Article 146, paragraph (1), that total number of shares less the total of the maximum numbers ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of all of the holders of Book-Entry Transfer Shares that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) The Account Management Institution prescribed in Article 146, paragraph (1) has a duty to indemnify the shareholders prescribed in the preceding paragraph for damage caused by its non-performance of the obligations referred to in paragraph (1) or (3) of that Article.
- (3) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis in a case as prescribed in Article 146, paragraph (1), if the Account Management Institution prescribed in that paragraph manifests the intention to be bound by a renunciation of the rights to the Book-Entry Transfer Shares referred to in that paragraph within two weeks after the relevant person is notified as referred to in Article 151, paragraph (1), item (i) or (iv). In such a case, the words set forth in the left-hand column of the following table are deemed to be replaced with the words set forth in the right-hand column thereof.

the Book-Entry Transfer Institution	the Book-Entry Transfer Institution
rights prescribed in Article 124, paragraph (1) of the Companies Act	rights prescribed in Article 124, paragraph (1) of the Companies Act (but only rights to a Book-Entry Transfer Share that has been entered or recorded in an account opened by that Account Management Institution or by its Subordinate Institution)
the provisions of paragraph (1)	the provisions of paragraph (1) of the following Article

- (4) Once an Account Management Institution has fully performed the obligations

referred to in Article 146, paragraph (1), the provisions of paragraph (1) do not apply to the exercise of minority and other shareholders' rights under the Book-Entry Transfer Shares that have been entered or recorded in accounts opened by that Account Management Institution or by its Subordinate Institution.

(Handling If the Issuer Pays Dividends of Surplus on Book-Entry Transfer Shares in Error)

Article 149 (1) Even if an issuer is acting in good faith, its payment of dividends of surplus on Book-Entry Transfer Shares that the provisions of Article 147, paragraph (1) or paragraph (1) of the preceding Article establish it is not permissible to assert against the issuer does not have the effect of extinguishing the issuer's obligations in respect of other Book-Entry Transfer Shares of that issue.

(2) In a case as referred to in the preceding paragraph, a shareholder does not have a duty to return to the issuer the amount of the dividend of surplus referred to in that paragraph.

(3) If an issuer pays a dividend of surplus as referred to in paragraph (1), it acquires the rights of a shareholder under Article 147, paragraph (2) or paragraph (2) of the preceding Article toward the Book-Entry Transfer Institution, etc., to the extent of the amount prescribed in the preceding paragraph.

#### **Section 4 Special Provisions of the Companies Act**

(Special Provisions of the Companies Act on Issuance of Shares)

Article 150 (1) If a company gives the consent referred to in Article 13, paragraph (1) with regard to shares it issues at the time of incorporation, the incorporator must indicate the account (but not a special account) that has been opened for it in which book entries can be made for those Book-Entry Transfer Shares, at the time the particulars set forth in the items of Article 32, paragraph (1) of the Companies Act are decided pursuant to the provisions of that paragraph.

(2) The issuer of Book-Entry Transfer Shares must indicate that the provisions of this Act apply to those Book-Entry Transfer Shares when notifying the relevant party with regard to those shares as referred to in Article 59, paragraph (1) or Article 203, paragraph (1) of the Companies Act.

(3) The shareholder register of a company issuing Book-Entry Transfer Shares must include an entry or record indicating that this Act applies to those Book-Entry Transfer Shares.

(4) A person offering to subscribe for Book-Entry Transfer Shares must mention,



in a paper-based document as referred to in Article 203, paragraph (2) of the Companies Act, the account (but not a special account) that has been opened for it in which book entries can be made for those Book-Entry Transfer Shares, or must indicate this account to the issuer of the Book-Entry Transfer Shares when concluding the agreement referred to in Article 205 of that Act.

- (5) The issuer of share options (but only those with Book-Entry Transfer Shares underlying them) must indicate that the provisions of this Act apply to the Book-Entry Transfer Shares underlying those share options when notifying the relevant party with regard to those share options as referred to in Article 242, paragraph (1) of the Companies Act.
- (6) If the shares underlying a share option are Book-Entry Transfer Shares, the person exercising the share option must indicate to the issuer of the Book-Entry Transfer Shares the account (but not a special account) that has been opened for it in which book entries can be made for those Book-Entry Transfer Shares.

(Notifying All Shareholders)

Article 151 (1) A Book-Entry Transfer Institution must promptly notify the issuer of the name and address of the shareholder that the relevant of the following items prescribes; the issue and number of Book-Entry Transfer Shares issued by the issuer which are held by that shareholder; and other information specified by Ordinance of the Competent Ministry (hereinafter referred to as "information of which the issuer must be notified" in this Article and the next Article):

- (i) once the issuer fixes a record date: the shareholders as of that date;
- (ii) once the effective date for a merger of shares arrives: the shareholders as of that date;
- (iii) if a Book-Entry Transfer Institution, etc. makes a deletion pursuant to the provisions of Article 135, paragraph (3) (including as applied *mutatis mutandis* pursuant to paragraph (4) of that Article): the holders of the Book-Entry Transfer Shares subject to deletion;
- (iv) six months after the beginning of each business year, if the issuer's business year consists of a full year (unless the issuer has fixed a record date for an interim dividend as prescribed in Article 454, paragraph (5) of the Companies Act): the shareholders as of the date six months after the beginning of the business year;
- (v) if an Article 3, paragraph (1) designation granted to the Book-Entry Transfer Institution handling Book-Entry Transfer Shares of a particular issue has been rescinded pursuant to the provisions of Article 22, paragraph (1) or this designation has ceased to be effective pursuant to the provisions of Article 41, paragraph (1) and there is no person to succeed to the Book-Entry

- Transfer Services thereof: the shareholders as of the date of the rescission of the designation or as of the date on which it ceased to be effective;
- (vi) if the Book-Entry Transfer Institution ceases to handle the Book-Entry Transfer Shares of a particular issue: the shareholders as of the date that it ceased to handle those Book-Entry Transfer Shares;
- (vii) if specified by Cabinet Order: the shareholders as of the date specified by Cabinet Order.
- (2) In a case as referred to in the preceding paragraph, the Book-Entry Transfer Institution must notify the person that each of the following items prescribes as the shareholder for the category of case set forth in the item:
- (i) if Book-Entry Transfer Shares have been entered or recorded under the holdings column of a Participant account (this excludes a customer account) in the book-entry transfer account register maintained by the Book-Entry Transfer Institution or by its Subordinate Institution: the Participant whose account it is (or, if the Participant whose account it is requests, pursuant to Ordinance of the Competent Ministry, that its Immediately Superior Institution notify another Participant as a shareholder, as referred to in the preceding paragraph, with regard to the Book-Entry Transfer Shares specified by Ordinance of the Competent Ministry, this means that other Participant whose Book-Entry Transfer Shares they are (referred to as a "special shareholder" in Article 154));
- (ii) if Book-Entry Transfer Shares have been entered or recorded under the pledge column of the Participant account prescribed in the preceding item: the person whose name is entered or recorded under the pledge column as the shareholder.
- (3) In a case as referred to in paragraph (1), if a Book-Entry Transfer Institution receives a request from a Participant in the pledge column of whose account Book-Entry Transfer Shares have been entered or recorded, it must indicate the name and address of the pledgee of the Book-Entry Transfer Shares, their issue, the information set forth in Article 129, paragraph (3), item (iv) with regard to them, and the information specified by Ordinance of the Competent Ministry when giving the notice referred to in paragraph (1).
- (4) A Participant must go through its Immediately Superior Institution to file the request referred to in the preceding paragraph.
- (5) In a case as referred to in Article 147, paragraph (1) or Article 148, paragraph (1), when a Book-Entry Transfer Institution notifies the relevant person as referred to in paragraph (1), it must indicate the number of Book-Entry Transfer Shares that have been entered or recorded in the Participant account with the Book-Entry Transfer Institution or its Subordinate Institution which it is not possible to assert against the issuer pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1).

- (6) If asked to do so by its Immediately Superior Institution, an Account Management Institution must promptly report the necessary information for notifying the relevant person as referred to in paragraph (1) (including the information prescribed in paragraph (3) and the preceding paragraph) with regard to the Book-Entry Transfer Shares that have been entered or recorded in the Participant's account with the Account Management Institution or its Subordinate Institution.
- (7) In a case as prescribed in paragraph (1), item (i), (ii), (iv) and (vii) (other than as specified by Cabinet Order), the issuer must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the date that the item prescribes (or of the first day of the business year, in a case as referred to in item (iv) of that paragraph) and of the information specified by Ordinance of the Competent Ministry, pursuant to Ordinance of the Competent Ministry.
- (8) If there is a legitimate reason for it to do so, an issuer may demand that a Book-Entry Transfer Institution notify it of the information of which the issuer must be notified concerning shareholders as of a fixed date set by the issuer, paying the expense established by the Book-Entry Transfer Institution. In such a case, the provisions of paragraphs (1) to (6) inclusive apply *mutatis mutandis*.

(Special Provisions of the Companies Act on Changing the Name of a Holder in the Shareholder Register)

- Article 152 (1) Upon being notified as referred to in paragraph (1) of the preceding Article (including as applied *mutatis mutandis* pursuant to paragraph (8) of that Article; hereinafter the same applies in this Article), an issuer must create an entry or record showing the information of which the issuer must be notified; the pieces of information specified by Ordinance of the Competent Ministry among those that are indicated pursuant to the provisions of paragraph (3) of that Article (including as applied *mutatis mutandis* pursuant to paragraph (8) of that Article); and the information indicated pursuant to the provisions of paragraph (5) of that Article (including as applied *mutatis mutandis* pursuant to paragraph (8) of that Article; hereinafter the same applies in this Article) in the shareholder register. In such a case, each of those pieces of information is deemed to have been entered or recorded pursuant to the provisions of Article 130, paragraph (1) of the Companies Act as of the date prescribed in the each item of paragraph (1) of that Article.
- (2) Notwithstanding the preceding paragraph, if an issuer manifests an intention to be bound as prescribed in Article 147, paragraph (3) (including as applied *mutatis mutandis* in Article 148, paragraph (3)), it must not create an entry or record in the shareholder register showing the information indicated pursuant to the provisions of paragraph (5) of the preceding Article with regard to a

Book-Entry Transfer Share that has been entered or recorded in an account opened by a Book-Entry Transfer or Account Management Institution that has fully performed the obligations referred to in Article 145, paragraph (3) or Article 146, paragraph (1) or by its Subordinate Institution.

- (3) In a case as referred to in the preceding paragraph, the issuer must create an entry or record in the shareholder register giving the number arrived at when the number set forth in item (ii) is subtracted from the number set forth in item (i) as the number of Book-Entry Transfer Shares held by a specific notified shareholder (meaning a specific notified shareholder as prescribed in Article 147, paragraph (3) (including as applied mutatis mutandis pursuant to Article 148, paragraph (3)); hereinafter the same applies in this paragraph):
- (i) the number of Book-Entry Transfer Shares held by a specific notified shareholder that has been notified pursuant to the provisions of paragraph (1) of the preceding Article;
  - (ii) the number of Book-Entry Transfer Shares held by the specific notified shareholder which are subject to the full performance of the obligations referred to in Article 145, paragraph (3) or Article 146, paragraph (1).

(Shareholder's Voting Rights in the Event of Non-performance of Obligations as Regards Entries or Records of Overages)

Article 153 Notwithstanding Article 308, paragraph (1) of the Companies Act, if shareholders come to hold fractional shares falling outside the scope of those that, pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1) may not be asserted against the issuer, or if shareholders come to hold partial share units, each shareholder is entitled to votes in respect of those fractional shares or partial share units, amounting to the number arrived at when the number of fractional shares or the number of partial share units is divided by the number of share units (with any number to the right of the hundredths column being disregarded).

(Special Provisions of the Companies Act on the Exercise of Minority and Other Shareholders' Rights)

- Article 154 (1) The provisions of Article 130, paragraph (1) of the Companies Act do not apply to the exercise of minority and other shareholders' rights in respect of Book-Entry Transfer Shares.
- (2) Minority and other shareholders' rights to Book-Entry Transfer Shares as referred to in the preceding paragraph may be exercised only during the period specified by Cabinet Order after the relevant person is notified as referred to in the following paragraph.
- (3) Upon receipt of a request from its own Participant or the Participant of its Subordinate Institution with respect to Book-Entry Transfer Shares of a

particular issue, a Book-Entry Transfer Institution must notify the issuer of the Book-Entry Transfer Shares of the name and address of the Participant, of the following information, and of the information specified by Ordinance of the Competent Ministry without delay:

- (i) the number of Book-Entry Transfer Shares that have been entered or recorded in the holdings column of the Participant's account (other than those with regard to which the Participant has filed a request as referred to in Article 151, paragraph (2), item (i)) and the information about that number as set forth in Article 129, paragraph (3), item (vi);
  - (ii) if the Participant is a special shareholder under another Participant's account, the number of Book-Entry Transfer Shares that have been entered or recorded in the holdings column of that account which are held by the special shareholder and the information about that number as set forth in Article 129, paragraph (3), item (vi);
  - (iii) if the Participant has been entered or recorded as a shareholder in the pledge column under the account of another Participant, the number of Book-Entry Transfer Shares that have been entered or recorded in the pledge column of that account which are held by the shareholder and the information about that number as set forth in Article 129, paragraph (3), item (vi).
- (4) A Participant must go through its Immediately Superior Institution to file the request referred to in the preceding paragraph.
- (5) The provisions of Article 151, paragraphs (5) and (6) apply mutatis mutandis to the notice as referred to in paragraph (3). In such a case, the phrase "paragraph (3) and the preceding paragraph" in paragraph (6) of that Article is deemed to be replaced with "the preceding paragraph".

(Special Provisions of the Companies Act on the Exercise of Appraisal Rights on Shares)

Article 155 If a holder of Book-Entry Transfer Shares exercises its appraisal rights on those Book-Entry Transfer Shares pursuant to the provisions of Article 116, paragraph (1), Article 192, paragraph (1), Article 469, paragraph (1), Article 785, paragraph (1), Article 797, paragraph (1) or Article 806, paragraph (1) of the Companies Act, the issuer may demand that, in exchange for its paying for the Book-Entry Transfer Shares, the shareholder file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Shares using the issuer's account as the transferee account.

(Special Provisions of the Companies Act on Shares with Put Options)

Article 156 (1) A Participant making a request as referred to in the main clause

of Article 166, paragraph (1) of the Companies Act with regard to Book-Entry Transfer Shares of a particular issue constituting shares with put options must file an application for book entries to be made for those Book-Entry Transfer Shares.

- (2) Notwithstanding Article 167, paragraph (1) of the Companies Act, if shares with put options that are subject to a request as referred to in the main clause of Article 166, paragraph (1) of the Companies Act are Book-Entry Transfer Shares, the issuer acquires the Book-Entry Transfer Shares at the time that an entry or record is created in the holdings column of the issuer's account, based on an application for book entries as referred to in the preceding paragraph, showing an increase equal to the number of shares with put options.
- (3) A person seeking to be delivered Book-Entry Transfer Shares pursuant to a request under the main clause of Article 166, paragraph (1) of the Companies Act must indicate to the company delivering the Book-Entry Transfer Shares the account (but not a special account) that has been opened for it in which book entries can be made for those Book-Entry Transfer Shares.

(Special Provisions of the Companies Act on Shares Subject to Call)

Article 157 (1) If the issuer of Book-Entry Transfer Shares constituting shares subject to call acquires part of those Book-Entry Transfer Shares, it must file an application for the book-entry transfer of those shares without delay after the occurrence of grounds referred to in Article 107, paragraph (2), item (iii), sub-item (a) of the Companies Act, using its own account as the transferee account. In such a case, the application is to be filed with the Immediately Superior Institution of the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record of a reduction.

- (2) Notwithstanding the provisions of Article 170, paragraph (1) of the Companies Act, in a case as referred to in the first sentence of the preceding paragraph, the issuer acquires the relevant Book-Entry Transfer Shares at the time that an entry or record is created in the holdings column of its account, based on an application for book entries as referred to in the first sentence of the preceding paragraph, showing an increase equal to the number of Book-Entry Transfer Shares referred to in the first sentence of that paragraph.
- (3) Before the issuer of Book-Entry Transfer Shares constituting shares subject to call or shares subject to class-wide call (meaning shares subject to class-wide call as prescribed in Article 171, paragraph (1) of the Companies Act) acquires all of those Book-Entry Transfer Shares, the issuer must notify the relevant person as referred to in Article 135, paragraph (1) (hereinafter referred to as giving the relevant person "notice of the deletion of all entries or records" in this Chapter) without delay after the occurrence of grounds referred to in

Article 107, paragraph (2), item (iii), sub-item (a) of that Act or after the acquisition date prescribed in Article 171, paragraph (1), item (iii) of that Act (hereinafter referred to as the "effective date" in this paragraph), using the effective date as the date referred to in Article 135, paragraph (1), item (ii).

(4) Notwithstanding the provisions of Article 170, paragraph (1) and Article 173, paragraph (1) of the Companies Act, in a case as referred to in the preceding paragraph, the issuer acquires the Book-Entry Transfer Shares referred to in that paragraph once the entries or records in respect of those shares have all been deleted pursuant to a notice of the deletion of all entries or records.

(Special Provisions of the Companies Act on the Retirement of Shares)

Article 158 (1) If the issuer seeks to retire its treasury Book-Entry Transfer Shares, it must apply for their deletion.

(2) The retirement of Book-Entry Transfer Shares takes effect on the day that an entry or record is created showing a decrease as referred to in Article 134, paragraph (4), item (i).

(Special Provisions of the Companies Act on Share Certificates Registered as Lost)

Article 159 (1) Notwithstanding the provisions of Article 130, paragraph (1), it is not permissible to notify the relevant person as referred to in that paragraph with regard to a share whose certificate has been registered as lost, until the day the registration is deleted (meaning the day the registration is deleted as prescribed in Article 230, paragraph (1) of the Companies Act; hereinafter the same applies in this Article).

(2) The issuer of a share as referred to in the preceding paragraph must request a Book-Entry Transfer or Account Management Institution to do what is referred to in the main clause of Article 131, paragraph (3) for the registered holder (meaning a registered holder as prescribed in Article 221, item (iii) of the Companies Act) that is the registrant of a lost share certificate (meaning the registrant of a lost share certificate as prescribed in Article 224, paragraph (1) of that Act) or other person specified by Ordinance of the Competent Ministry (hereinafter referred to as the "registered holder or similar person" in this Article) on the day the registration is deleted; provided, however, that this does not apply if the registered holder or similar person has notified the issuer of an account (but not a special account) that has been opened for it in which book entries can be made for the relevant Book-Entry Transfer Shares by the day the registration is deleted, or if there is a special account open that the issuer has requested be opened for the registered holder or similar person.

(3) If the issuer referred to in the main clause of the preceding paragraph notifies the relevant person as referred to in Article 130, paragraph (1) with regard to a

share as referred to in paragraph (1), the issuer must notify the relevant person as referred to in that paragraph, using the information set forth in the following items as the information that the item in question prescribes:

- (i) the name of the Participant that constitutes the registered holder or similar person referred to in the main clause of the preceding paragraph: the information set forth in Article 130, paragraph (1), item (ii);
- (ii) the account referred to in the proviso of the preceding paragraph of which the issuer has been notified by the Participant referred to in the preceding item (or the special account that the issuer has requested be opened, if it has not been so notified): the information set forth in Article 130, paragraph (1), item (iii).

(Special Provisions of the Companies Act on Mergers)

Article 160 (1) If shares in a disappearing or wholly owned company are not Book-Entry Transfer Shares, or if the company disappearing in a merger is a membership company and the surviving or wholly owning company seeks to issue Book-Entry Transfer Shares at the time of the absorption-type merger or share exchange or the incorporated or wholly owning company seeks to issue Book-Entry Transfer Shares at the time of the consolidation-type merger or share transfer, it must notify the relevant person as referred to in Article 131, paragraph (1), using the effective date or date of incorporation as the date referred to in Article 131, paragraph (1), item (i).

(2) If a surviving or wholly owning company seeks to transfer Book-Entry Transfer Shares at the time of an absorption-type merger or share exchange, it must apply for book entries to be made for those Book-Entry Transfer Shares without delay after the effective date or date of incorporation.

(3) If shares in a disappearing or wholly owned company are Book-Entry Transfer Shares and the surviving or wholly owning company seeks to issue shares that are not Book-Entry Transfer Shares at the time of the absorption-type merger or share exchange or the incorporated or wholly owning company seeks to issue shares that are not Book-Entry Transfer Shares at the time of the consolidation-type merger or share transfer; or if the surviving or wholly owning company or incorporated or wholly owning company is not a stock company; the disappearing or wholly owned company must give the relevant person notice of the deletion of all entries or records, using the effective date or date of incorporation as the date referred to in Article 135, paragraph (1), item (ii).

(4) If membership companies merge and the company surviving an absorption-type merger or company incorporated in a consolidation-type merger seeks to issue Book-Entry Transfer Shares at the time of the merger, it must specify, in the merger agreement, the accounts (but not special accounts) that have been



opened for the members of the membership company in which book entries can be made for those Book-Entry Transfer Shares.

- (5) If the company succeeding in an absorption-type company split or company incorporated in an incorporation-type company split seeks to issue Book-Entry Transfer Shares at the time of the company split, it must specify, in the absorption-type company split agreement or incorporation-type company split plan, the account (but not a special account) that has been opened for the splitting company in which book entries can be made for those Book-Entry Transfer Shares.

(Exclusion from Application)

- Article 161 (1) The provisions of Article 122, paragraphs (1) to (3) inclusive, Article 132, paragraph (1), items (ii) and (iii) and paragraphs (2) and (3), Article 133, Article 147, paragraph (1), Articles 148 and 152 and Article 154-2, paragraphs (1) to (3) inclusive do not apply to Book-Entry Transfer Shares.
- (2) Notwithstanding the provisions of Article 116, paragraph (3), Article 158, paragraph (1), Article 168, paragraph (2), Article 169, paragraph (3), Article 170, paragraph (3), Article 181, paragraph (1), Article 195, paragraph (2), Article 201, paragraph (3), Article 240, paragraph (2), Article 469, paragraph (3), Article 776, paragraph (2), Article 783, paragraph (5), Article 785, paragraph (3), Article 797, paragraph (3), Article 804, paragraph (4) and Article 806, paragraph (3) of the Companies Act, in lieu of notifying the relevant persons as under those provisions, a company issuing Book-Entry Transfer Shares must issue public notice of the information of which it is required to notify those persons.
- (3) In applying the provisions of Article 130, paragraph (1) of the Companies Act to the transfer of Book-Entry Transfer Shares, the phrase "stock company and other third parties" in that paragraph is deemed to be replaced with "stock company".

## **Section 5 Miscellaneous Provisions**

- Article 162 (1) Upon being notified as referred to in one of the following items, the Book-Entry Transfer Institution that has been so notified must immediately take measures, using the means prescribed by Cabinet Order, that will enable the Participants to learn the information set forth in that item concerning the Book-Entry Transfer Shares of the issue to which the notice pertains:
- (i) upon being notified as referred to in Article 130, paragraph (1): the information set forth in item (ix) of that paragraph;
  - (ii) upon being notified as referred to in the first sentence of Article 138,

- paragraph (1): the information set forth in item (vii) of that paragraph.
- (2) The expenses incurred in connection with the measures referred to in the preceding paragraph are borne by the issuer of the Book-Entry Transfer Shares referred to in that paragraph.

## **Chapter VIII Book-Entry Transfer of Share Options**

### **Section 1 General Rules**

#### (Ownership of Rights)

Article 163 The ownership of rights under share options handled by a Book-Entry Transfer Institution which are provided for in a decision to issue share options establishing that all share options issued based on that decision (but only those resulting in the issuance of Book-Entry Transfer Shares when exercised; this excludes share options with respect to which the particulars set forth in Article 236, paragraph (1), item (vi) of the Companies Act have been established and share options embedded in corporate bonds) will be subject to the application of this Act (hereinafter referred to as "Book-Entry Transfer Share Options") is established by the entries or records in a book-entry transfer account register as under in this Chapter.

#### (Non-issuance of Share Option Certificates)

- Article 164 (1) Share option certificates may not be issued for Book-Entry Transfer Share Options.
- (2) Notwithstanding the preceding paragraph, if a Book-Entry Transfer Institution that handles Book-Entry Transfer Share Options has its Article 3, paragraph (1) designation rescinded pursuant to the provisions of Article 22, paragraph (1) or its designation ceases to be effective pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the Book-Entry Transfer Services thereof; or if a Book-Entry Transfer Institution that handles Book-Entry Transfer Share Options ceases to handle those Book-Entry Transfer Share Options, a holder of such a Book-Entry Transfer Share Option may ask the issuer to issue a share option certificate.
- (3) The share option certificates referred to in the preceding paragraph are in bearer form.

### **Section 2 Book-Entry Transfer Account Registers**

#### (Information Required to Be Entered or Recorded in a Book-Entry Transfer Account Register)

Article 165 (1) A book-entry transfer account register is subdivided by account for each Participant.

- (2) The account of an Account Management Institution in a book-entry transfer account register is subdivided as follows:
  - (i) an account in which entries or records are created for Book-Entry Transfer Share Options to which the Account Management Institution is entitled (hereinafter referred to as the institution's "own account" in this Chapter);
  - (ii) an account in which entries or records are created for Book-Entry Transfer Share Options to which the Participants of the Account Management Institution or of its Subordinate Institution are entitled (hereinafter referred to as a "customer account" in this Chapter).
- (3) Entries or records giving the following information are made for each account (other than customer accounts) in a book-entry transfer account register:
  - (i) the name and address of the Participant;
  - (ii) the issuer's trade name and the type of Book-Entry Transfer Share Option (hereinafter referred to as the "issue" in this Chapter);
  - (iii) the number of Book-Entry Transfer Share Options, by issue (other than as set forth in the following item);
  - (iv) that the Participant in question is a pledgee, if this is the case; the number of Book-Entry Transfer Share Options that have been pledged thereto, by issue; the number of Book-Entry Transfer Share Options of each issue that each share option holder has pledged thereto; and the names and addresses of those share option holders;
  - (v) that the Participant in question is the trustee of a trust, if this is the case; and the number of Book-Entry Transfer Share Options as referred to in the preceding two items which constitute trust property;
  - (vi) other information specified by Cabinet Order.
- (4) Entries or records giving the following information are made for each customer account in a book-entry transfer account register:
  - (i) the information set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the number of Book-Entry Transfer Share Options, by issue;
  - (iii) other information specified by Cabinet Order.
- (5) If a Book-Entry Transfer Institution opens an Institution-Held Account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
  - (i) the issue;
  - (ii) the number of Book-Entry Transfer Share Options, by issue;
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one as specified by Ordinance of the Competent Ministry).

(Creating New Entries or Records upon Issuance of Book-Entry Transfer Share

Options)

Article 166 (1) The issuer of Book-Entry Transfer Share Options of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information without delay after the date on which it issues those Book-Entry Transfer Share Options:

- (i) the issue of Book-Entry Transfer Share Options that it has issued;
  - (ii) the names of the Participants that constitute the holders and pledgees of the Book-Entry Transfer Share Options referred to in the preceding item;
  - (iii) the accounts opened for the Participants referred to in the preceding item, in which book entries can be made for the Book-Entry Transfer Share Options referred to in item (i);
  - (iv) the number of Book-Entry Transfer Share Options as referred to in item (i) for each Participant (other than as set forth in the following item);
  - (v) that a Participant is a pledgee, if this is the case; the number of Book-Entry Transfer Share Options as referred to in item (i) that have been pledged to each Participant; and the number of these options that each share option holder has pledged;
  - (vi) the names and addresses of the share option holders referred to in the preceding item;
  - (vii) that a Participant is the trustee of a trust, if this is the case; and the number of Book-Entry Transfer Share Options as referred to in items (iv) and (v) which constitute trust property;
  - (viii) information as set forth in item (vi), paragraph (3) of the preceding Article which Cabinet Order prescribes as information that the issuer is able to learn;
  - (ix) the total number of Book-Entry Transfer Share Options under item (i), the period during which the share options are exercisable, and other information specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately take the following measures for the issue of Book-Entry Transfer Share Options about which it has been notified:
- (i) create the following entries or records, if the Book-Entry Transfer Institution is the one that opened the account referred to item (iii) of the preceding paragraph:
    - (a) an entry or record showing an increase equal to the number referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph (but only one that is a holder of share options as referred to in that item), in the column of that account where the information set forth in paragraph (3), item (iii) of the preceding Article is

- entered or recorded (hereinafter referred to as the "holdings column" in this Chapter);
- (b) an entry or record showing an increase equal to the number of Book-Entry Transfer Share Options as referred to in item (v) of the preceding paragraph and the number of these options ascribable to each share option holder, for a Participant as referred to in item (ii) of that paragraph (but only one that is a pledgee as referred to in that item), in the column of that account where the information set forth in paragraph (3), item (iv) of the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
  - (c) an entry or record in the pledge column of the account showing the information set forth in item (vi) of the preceding paragraph;
  - (d) an entry or record in the account showing an increase equal to the number of Book-Entry Transfer Share Options constituting trust property which is referred to in item (vii) of the preceding paragraph;
  - (e) an entry or record in the account showing the information set forth in item (viii) of the preceding paragraph.
- (ii) create an entry or record showing an increase equal to the total of the number referred to in item (iv) of the preceding paragraph and the number of Book-Entry Transfer Share Options as referred to in item (v) of that paragraph for a Participant as referred to in item (ii) of that paragraph, in the customer account subdivision in the account of whichever of the Book-Entry Transfer Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant, and notify the Immediately Subordinate Institution of the information set forth in items (i) to (viii) inclusive of that paragraph, if the Book-Entry Transfer Institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), the provisions of the preceding paragraph apply *mutatis mutandis* to the Account Management Institution that has been so notified.

(Procedures If the Issuer Cannot Find the Account of a Share Option Holder)

Article 167 (1) If a company seeks to deliver Book-Entry Transfer Share Options of a particular issue but is unable to find an account that has been opened for the holder or pledgee of those options in which book entries can be made for Book-Entry Transfer Share Options, the company (or the person specified by Ordinance of the Competent Ministry as being equivalent to such a company, if it is delivering Book-Entry Transfer Share Options at the time of a consolidation-type merger or in any other case specified by Ordinance of the Competent Ministry; hereinafter referred to as the "notifier" in this Article)

must notify the person that Ordinance of the Competent Ministry prescribes as the one that will become the holder or pledgee of those Book-Entry Transfer Share Options, of the following information, by one month prior to the fixed date referred to in item (i):

- (i) that the company will notify the relevant party as referred to in paragraph (1) of the preceding Article or apply for a book-entry transfer to be made for the holder (other than a holder of share options underlying a pledge, if there is a pledge) or pledgee of the Book-Entry Transfer Share Options on a fixed date;
  - (ii) that the notifier must be notified of the account opened for the share option holder or pledgee referred to in the preceding item (other than an account opened by a Book-Entry Transfer or Account Management Institution based on a request as referred to in the main clause of paragraph (3)) in which book entries can be made for the Book-Entry Transfer Share Options, by the fixed date referred to in that item;
  - (iii) the name and address of the Book-Entry Transfer or Account Management Institution that opens accounts based on requests as referred to in the main clause of paragraph (3);
  - (iv) other information specified by Ordinance of the Competent Ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than a company as referred to in that paragraph, the notifier must notify the company, on the fixed date referred to in item (i) of that paragraph, of the account referred to in item (ii) of that paragraph of which the holder or pledgee referred to in that item has notified it.
- (3) If a share option holder or pledgee as referred to in paragraph (1), item (i) does not notify the notifier of an account as referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph of notifier, the company must request the Book-Entry Transfer or Account Management Institution referred to in item (iii) of that paragraph to open an account for the share option holder or pledgee in which book entries can be made for Book-Entry Transfer Share Options (hereinafter referred to as a "special account" in this Chapter); provided, however, that this does not apply if there is a special account open that the company has requested be opened for that share option holder or pledgee.
- (4) If a company is the issuer of share options that constitute Book-Entry Transfer Share Options as referred to in paragraph (1) but has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the Book-Entry Transfer Institution with respect to those share options.
- (5) In the case prescribed in paragraph (1), when the company notifies the

relevant party as referred to in paragraph (1) of the preceding Article, it must use the account under paragraph (1), item (ii) of which it is notified by the share option holder or pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if it has not been so notified) as the account referred to in paragraph (1), item (iii) of the preceding Article.

(Making Book-Entries)

Article 168 (1) On receiving an application for a book-entry transfer involving Book-Entry Transfer Share Options of a particular issue, a Book-Entry Transfer or Account Management Institution, pursuant to the provisions of paragraphs (4) to (8) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction or increase in the book-entry transfer account register that it maintains, or must notify the relevant person.

(2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record of a reduction is to file with its Immediately Superior Institution.

(3) A person filing an application as referred to in paragraph (1) must indicate the following information in that application:

(i) the issue and the number of Book-Entry Transfer Share Options for which entries or records showing a reduction and increase will need to be created when the book-entry transfer is effected;

(ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the account of the Participant referred to in the preceding paragraph;

(iii) the names and addresses of the holders of Book-Entry Transfer Share Options in connection with which entries or records will need to be created, and the number constituting each holder's part of the number of Book-Entry Transfer Share Options as referred to in item (i) (hereinafter referred to as the "number subject to book-entry transfer" in this Article), if the reduction will be entered or recorded in the pledge column of the account referred to in the preceding item;

(iv) the account in which the entry or record showing the increase will need to be created (this excludes a customer account; hereinafter referred to as the "transferee account" in this Chapter);

(v) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (this excludes the Institution-Held Account);

(vi) the number constituting each share option holder's part of the number

- subject to book-entry transfer and the names and addresses of those share option holders, if the increase will be entered or recorded in the pledge column of the transferee account (this excludes the Institution-Held Account).
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer or Account Management Institution receiving it must take the following measures without delay:
- (i) create the following entries or records in the holdings column or pledge column of the account of the Participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph:
    - (a) an entry or record showing a reduction equal to the number subject to book-entry transfer;
    - (b) entries or records showing reductions equal to the numbers ascribable to each of the holders as referred to in item (iii) of the preceding paragraph, if the entry or record showing the reduction referred to in sub-item (a) is created in the pledge column.
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of items (i) and (iv) to (vi) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is not the Common Immediately Superior Institution for the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer in either the holdings column or pledge column of the transferee account, as indicated pursuant to the provisions of item (v) of the preceding paragraph (or in the column where the information set forth in Article 165, paragraph (5), item (ii) is entered or recorded, for an Institution-Held Account; hereinafter referred to as the "transferee column" in this Article), if the Book-Entry Transfer or Account Management Institution is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) create the following entries or records in the pledge column in a case as referred to in the preceding item, if the transferee column is the pledge column:
    - (a) an entry or record showing an increase equal to the number subject to book-entry transfer for each holder as referred to in item (vi) of the preceding paragraph;
    - (b) an entry or record showing the name and address of the holder.
  - (v) create an entry or record showing an increase equal to the number subject to book-entry transfer in the customer account subdivision under the account of whichever of the Book-Entry Transfer or Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the



- Immediately Subordinate Institution of the information indicated under the provisions of items (i) and (iv) through (vi) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the number subject to book-entry transfer in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is not the Common Immediately Superior Institution for the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer in the transferee column of the transferee account, if the Book-Entry Transfer or Account Management Institution is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) create the entries or records set forth in item (iv), sub-items (a) and (b) of the preceding paragraph in the pledge column, in a case as referred to in the preceding item, if the transferee column is the pledge column;
  - (v) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer or Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply *mutatis mutandis* to a Book-Entry Transfer or Account Management Institution that is notified as referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), once it has been so notified.
- (7) Upon being notified as referred to in paragraph (4), item (v) or paragraph (5), item (v) (including as applied *mutatis mutandis* pursuant to the preceding paragraph; hereinafter the same applies in this paragraph), the Account

Management Institution has been so notified must immediately take the following measures:

- (i) create an entry or record showing an increase equal to the number subject to book-entry transfer in the transferee column of the transferee account, if the Account Management Institution is the one that opened the transferee account;
  - (ii) create the entries or records set forth in paragraph (4), item (iv), sub-items (a) and (b) in the pledge column, in a case as referred to in the preceding item, if the transferee column is the pledge column;
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of paragraph (4), item (v) or paragraph (5), item (v), if the Account Management Institution is not the one that opened the transferee account.
- (8) The provisions of the preceding paragraph apply mutatis mutandis to an Account Management Institution that is notified as referred to in item (iii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(Special Provisions on Making Book-Entries for Book-Entry Transfer Share Options That Have Been Entered or Recorded in a Special Account)

Article 169 (1) A Participant may not apply for a book-entry transfer involving a Book-Entry Transfer Share Option that has been entered or recorded in a special account if the transferee account is other than that of the Participant or that of the issuer of the Book-Entry Transfer Share Option.

- (2) If, after a notice as referred to in Article 166, paragraph (1) or an application for a book-entry transfer involving Book-Entry Transfer Share Options of a particular issue is made, a person that, before the notice or application, acquired shares in a company disappearing in a merger but that cannot be delivered the Book-Entry Transfer Share Options that replace those shares at the time of the merger because no entry or record has been made for the person in the shareholder register, or any other person specified by Ordinance of the Competent Ministry (hereinafter referred to as the "acquirer or other such person" in this Article) files a joint request together with the Participant in whose special account the Book-Entry Transfer Share Options have been entered or recorded, the issuer must take the following actions. The same applies if the acquirer or other such person files a request accompanied by an authenticated copy or certified copy of an enforceable judgment that orders the

Participant to file such a request or accompanied by any other paper document specified by Ordinance of the Competent Ministry as being equivalent thereto, and the same also applies in cases prescribed by Ordinance of the Competent Ministry as those in which the interests of the Participant and other interested persons are unlikely to be prejudiced even if the issuer takes the following actions as requested by the acquirer or other such person:

- (i) filing a request as referred to in the main clause of Article 167, paragraph (3) for the acquirer or other such person;
  - (ii) filing an application for the book-entry transfer of those Book-Entry Transfer Share Options in the transferee account that has been opened as per the request referred to in the preceding item.
- (3) A Participant other than the issuer that has requested for a special account to be opened may not apply for a book-entry transfer with the special account as the transferee account.

(Making Deletions)

Article 170 (1) On receiving an application for the deletion of a Book-Entry Transfer Share Option of a particular issue, a Book-Entry Transfer or Account Management Institution, pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction in the book-entry transfer account register that it maintains, or must notify the relevant person.

- (2) The application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the reduction resulting from the deletion will be entered or recorded is to file with its Immediately Superior Institution.
- (3) A Participant filing an application under paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate in that application the issue and the number of Book-Entry Transfer Share Options for which an entry or record showing a reduction will need to be created when the deletion is effected.
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer or Account Management Institution receiving it must take the following measures without delay:
  - (i) create an entry or record showing a reduction equal to the number referred to in the preceding paragraph in the holdings column of the Participant's account;
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.

- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the number under paragraph (3) in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer or Account Management Institution that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(Deleting All Entries or Records)

Article 171 (1) The issuer of Book-Entry Transfer Share Options of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information no later than two weeks prior to the date under item (ii) before deleting all of the entries or records regarding those Book-Entry Transfer Share Options:

- (i) the issue of Book-Entry Transfer Share Options;
  - (ii) the date for the deletion of all of the entries or records regarding those Book-Entry Transfer Share Options.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Share Options about which it has been notified.
- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified must delete the entries or records for all of the Book-Entry Transfer Share Options as referred to in item (i) of the paragraph from the accounts in the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Share Options (for accounts other than the Institution-Held Account or a customer account, this means the holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter).
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the

Account Management Institution that has been so notified.

(Creating Entries or Records after Expiration of the Period for Exercising Book-Entry Transfer Share Options)

Article 172 After the expiration of the period prescribed in Article 166, paragraph (1), item (ix), a Book-Entry Transfer or Account Management Institution must immediately delete the entries or records for all of the Book-Entry Transfer Share Options as referred to in item (i) of that paragraph from the holdings and pledge columns of the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Share Options.

(Changing Entries or Records)

Article 173 If a Book-Entry Transfer or Account Management Institution learns of a change having arisen with respect to information as set forth in one of the items of Article 165, paragraph (3), (4) or (5) in connection with the book-entry transfer account register that it maintains, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book Entry Transfer**

(Transfer of Book-Entry Transfer Share Options)

Article 174 A transfer of Book-Entry Transfer Share Options does not take effect unless the transferee has had an entry or record created in the holdings column of its account (or in the column where the information set forth in Article 165, paragraph (5), item (ii) is entered or recorded, for the Institution-Held Account), based on an application for book-entry transfer, showing an increase equal to the number of Book-Entry Transfer Share Options subject to the transfer.

(Pledges of Book-Entry Transfer Share Options)

Article 175 A pledge of Book-Entry Transfer Share Options does not take effect unless the pledgee has had an entry or record created in the pledge column of its account, based on an application for book-entry transfer, showing an increase equal to the number of Book-Entry Transfer Share Options subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer Share Options That Are Trust Property)

Article 176 (1) Unless an entry or record has been created for a Book-Entry Transfer Share Option in a book-entry transfer account register pursuant to

the provisions of Article 165, paragraph (3), item (v), indicating that the Book-Entry Transfer Share Option is trust property, it is not permissible to assert against a third party that the share option is trust property.

- (2) An entry or record in a book-entry transfer account register as prescribed in the preceding paragraph is created pursuant to the provisions of Cabinet Order.

(Participants' Presumed Rights)

Article 177 A Participant is presumed to be the lawful holder of the rights under a Book-Entry Transfer Share Option that has been entered or recorded in the account thereof (but only in its own account, if the Participant is an Account Management Institution).

(Acquisition in Good Faith)

Article 178 A Participant (or a Book-Entry Transfer Institution with an Institution-Held Account) that has had an entry or record created in its account (but only in its own account, if it is an Account Management Institution), based on an application for book-entry transfer, showing an increase in Book-Entry Transfer Share Options of a particular issue acquires the rights associated with the entry or record showing the increase in the Book-Entry Transfer Share Options of that issue; provided, however that this does not apply if the Participant has acted in bad faith or with gross negligence.

(Book-Entry Transfer Institution's Obligations If There Are Entries or Records of Overages)

Article 179 (1) If the total number of Book-Entry Transfer Share Options of an issue as prescribed in the preceding Article which all holders hold based on acquisitions of Book-Entry Transfer Share Options under that Article comes to exceed the total issued number of Book-Entry Transfer Share Options of that issue (other than any that have been retired or exercised), and the aggregate number referred to in item (i) exceeds the total issued number referred to in item (ii), the Book-Entry Transfer Institution has a duty to acquire Book-Entry Transfer Share Options in that issue until its holdings reach the number in overage (meaning the aggregate number referred to in item (i), less the total issued number referred to in item (ii)):

- (i) the aggregate number of Book-Entry Transfer Share Options of that issue which have been entered or recorded in the accounts of the Participants of the Book-Entry Transfer Institution, in the book-entry transfer account register maintained by that Book-Entry Transfer Institution;
- (ii) the total issued number of Book-Entry Transfer Share Options of that issue (other than Book-Entry Transfer Share Options that have been retired or exercised).

- (2) If there is any number as prescribed in item (i) of the preceding paragraph for which an entry or record showing an increase or reduction has been created in an account as prescribed, but the rights associated with that entry or record have not arisen, been transferred, or been extinguished, and it is proven that nobody has acquired Book-Entry Transfer Share Options pursuant to the provisions of the preceding Article in the number for which the entry or record has been created, that number is treated as if the entry or record had not been created.
- (3) Once a Book-Entry Transfer Institution acquires Book-Entry Transfer Share Options pursuant to the provisions of paragraph (1), it has a duty to immediately manifest its intention to the issuer to be bound by its renunciation of all of those Book-Entry Transfer Share Options.
- (4) The Book-Entry Transfer Share Options prescribed in the preceding paragraph are extinguished once an intention to be bound by a renunciation is manifested pursuant to that paragraph.
- (5) Once a Book-Entry Transfer Institution manifests its intention to be bound by a renunciation pursuant to the provisions of paragraph (3) with respect to the Book-Entry Transfer Share Options, it must immediately enter deletions for those Book-Entry Transfer Share Options in the book-entry transfer account register.

(Account Management Institutions' Obligations If There Are Entries or Records of Overages)

Article 180 (1) In a case as prescribed in paragraph (1) of the preceding Article, if there is an Account Management Institution in connection with which the total number referred to in item (i) comes to exceed the number referred to in item (ii), the Account Management Institution has a duty to manifest its intention to the issuer to be bound by its renunciation of all of the Book-Entry Transfer Share Options of that issue in a number equal to the overage (meaning the total number referred to in item (i), less the number referred to in item (ii)):

- (i) the total number of Book-Entry Transfer Share Options of that issue which have been entered or recorded in the accounts of the Participants of the Account Management Institution, in the book-entry transfer account register maintained by that Account Management Institution;
  - (ii) the number of Book-Entry Transfer Share Options of that issue which have been entered or recorded in the customer account subdivision under the account of the Account Management Institution, in the book-entry transfer account register maintained by its Immediately Superior Institution.
- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to:

- (i) the number prescribed in item (i) of the preceding paragraph;
  - (ii) the number set forth in item (ii) of the preceding paragraph, if an entry or record showing an increase or reduction has been created in a customer account as prescribed in that item but the rights associated with that entry or record have not arisen, been transferred, or been extinguished.
- (3) In a case as referred to in paragraph (1), if the Account Management Institution does not hold Book-Entry Transfer Share Options of the issue prescribed in that paragraph in a number equal to the overage prescribed in that paragraph, it has a duty to acquire Book-Entry Transfer Share Options in that issue until its holdings reach the number in overage, before manifesting its intention to be bound by a renunciation under the provisions of that paragraph.
- (4) Once an Account Management Institution has manifested its intention to be bound by a renunciation pursuant to the provisions of paragraph (1), it must immediately notify its Immediately Superior Institution:
- (i) that it has manifested the intention to be bound by the renunciation;
  - (ii) of the issue and the number of Book-Entry Transfer Share Options with respect to which it has manifested the intention to be bound by the renunciation.
- (5) Upon being notified as referred to in the preceding paragraph, the Immediately Superior Institution referred to in that paragraph must immediately create the following entries or records regarding Book-Entry Transfer Share Options as set forth in item (ii) of that paragraph, in the book-entry transfer account register that it maintains:
- (i) an entry or record under the account of the Account Management Institution referred to in that paragraph in the subdivision for the institution's own account, showing a reduction equal to the number referred to in item (ii) of the preceding paragraph;
  - (ii) an entry or record in the customer account subdivision under the account referred to in the preceding item, showing an increase equal to the number referred to in item (ii) of the preceding paragraph.

(Handling in the Event of Book-Entry Transfer Institution's Non-performance of Obligations as Regards Entries or Records of Overages)

Article 181 (1) In a case as prescribed in Article 179, paragraph (1), until the Book-Entry Transfer Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, it is not permissible for any one of the holders to assert a share option against the issuer as regards the part of the Book-Entry Transfer Share Options of the relevant issue that the holder holds which corresponds to the number arrived at when the percentage of the total number referred to in item (ii) that the



number referred to in item (i) accounts for is multiplied by the number in overage prescribed in paragraph (1) of that Article (or by the number in overage less any number representing partial performance of the obligation referred to in paragraph (3) of that Article) prescribed in paragraph (1) of that Article:

- (i) the number of Book-Entry Transfer Share Options of that issue that the holder holds (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of Book-Entry Transfer Share Options of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number of such options less the maximum number ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that holder (but only in respect of the holder of a Book-Entry Transfer Share Option that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total number of Book-Entry Transfer Share Options of that issue that all holders hold (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of Book-Entry Transfer Share Options of that issue pursuant to the provisions of paragraph (1) of the preceding Article, that total number of options less the total of the maximum numbers ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of Book-Entry Transfer Share Options that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) In the case prescribed in Article 179, paragraph (1), the Book-Entry Transfer Institution prescribed in that paragraph has a duty to indemnify each holder for damage caused by its non-performance of the obligations referred to in that paragraph and paragraph (3) of that Article.

(Handling in the Event of Account Management Institutions' Non-performance of Obligations as Regards Entries or Records of Overages)

Article 182 (1) In a case as prescribed in Article 180, paragraph (1), until the Account Management Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a holder (but only the holder of a Book-Entry Transfer Share Option that has been entered or recorded in an account opened by the Account Management

Institution or by its Subordinate Institution) may not assert a share option against the issuer as regards the part of the Book-Entry Transfer Share Options of the relevant issue that the holder holds which corresponds to the number arrived at when the percentage of the total number referred to in item (ii) that the number referred to in item (i) accounts for is multiplied by the number in overage prescribed in paragraph (1) of that Article (or by the number in overage less any number representing partial performance of the obligation referred to in that paragraph) (hereinafter referred to as the "maximum number ascribable to the account management institution" in this Article):

- (i) the number of Book-Entry Transfer Share Options of that issue that the holder holds (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of Book-Entry Transfer Share Options of that issue pursuant to the provisions of Article 180, paragraph (1), the number of such options less the maximum number ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of that holder (but only in respect of the holder of a Book-Entry Transfer Share Option that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total number of Book-Entry Transfer Share Options of that issue held by all of the holders of Book-Entry Transfer Share Options that have been entered or recorded in accounts opened by the Account Management Institution or by its Subordinate Institution (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of Book-Entry Transfer Share Options of that issue pursuant to the provisions of Article 180, paragraph (1), that total number of options less the total of the maximum numbers ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of all of the holders of Book-Entry Transfer Share Options that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) The Account Management Institution prescribed in Article 180, paragraph (1) has a duty to indemnify the holders prescribed in the preceding paragraph for damage caused by its non-performance of the obligations referred to in paragraph (1) or (3) of that Article.

#### **Section 4 Special Provisions of the Companies Act**

(Special Provisions of the Companies Act on the Exercise of Appraisal Rights on Share Options)

Article 183 If a holder of Book-Entry Transfer Share Options exercises its appraisal rights on those Book-Entry Transfer Share Options pursuant to the provisions of Article 118, paragraph (1), Article 777, paragraph (1), Article 787, paragraph (1) or Article 808, paragraph (1) of the Companies Act, the issuer may demand that, in exchange for its paying for the Book-Entry Transfer Share Options, the holder file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Share Options using the issuer's account as the transferee account.

(Special Provisions of the Companies Act on Issuance of Share Options)

Article 184 (1) The issuer of Book-Entry Transfer Share Options must indicate that the provisions of this Act apply to those Book-Entry Transfer Share Options in the notice under Article 242, paragraph (1) of the Companies Act that it gives about those Book-Entry Transfer Share Options.

(2) Notwithstanding the provisions of Article 249, item (iii) of the Companies Act, a share option register that is for Book-Entry Transfer Share Options must include an entry or record indicating the details and numbers of those Book-Entry Transfer Share Options and indicating that the provisions of this Act apply to them.

(3) A person offering to subscribe for Book-Entry Transfer Share Options must indicate, in a paper-based document as referred to in Article 242, paragraph (2) of the Companies Act, the account (but not a special account) that has been opened for it in which book entries can be made for those Book-Entry Transfer Share Options, or must indicate this account to the issuer of those Book-Entry Transfer Share Options when concluding the agreement referred to in Article 244, paragraph (1) of that Act.

(4) A person seeking to be delivered Book-Entry Transfer Share Options pursuant to a request under the main clause of Article 166, paragraph (1) of the Companies Act must indicate to the company delivering the Book-Entry Transfer Share Options the account (but not a special account) that has been opened for it in which book entries can be made for those Book-Entry Transfer Share Options.

(Special Provisions of the Companies Act on Share Options Subject to Call)

Article 185 (1) If the issuer of Book-Entry Transfer Share Options that constitute share options subject to call (meaning share options subject to call as prescribed in Article 273, paragraph (1) of the Companies Act; hereinafter the same applies in this and the following Chapter) seeks to acquire part of those Book-Entry Transfer Share Options, it must apply for the book-entry

transfer of those share options without delay after the occurrence of grounds referred to in Article 236, paragraph (1), item (vii), sub-item (a) of that Act, using its own account as the transferee account. In such a case, the application is to be filed with the Immediately Superior Institution of the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record of a reduction.

- (2) Notwithstanding the provisions of Article 275, paragraph (1) of the Companies Act, in the case referred to in first sentence of the preceding paragraph, the issuer acquires the relevant Book-Entry Transfer Share Options at the time that an entry or record is created in the holdings column of its account, based on an application for book-entry transfer as referred to in the first sentence of that paragraph, showing an increase equal to the number of options.
- (3) If the issuer of Book-Entry Transfer Share Options constituting share options subject to call seeks to acquire all of those Book-Entry Transfer Share Options, it must notify the relevant persons as referred to in Article 171, paragraph (1) (hereinafter referred to as giving the relevant persons "notice of the deletion of all entries or records" in this Chapter) without delay after the occurrence of grounds referred to in Article 236, paragraph (1), item (vii), sub-item (a) of the Companies Act, using that day as the day referred to in Article 171, paragraph (1), item (ii).
- (4) Notwithstanding the provisions of Article 275, paragraph (1) of the Companies Act, the issuer acquires the Book-Entry Transfer Share Options referred to in the preceding paragraph once the entries or records in respect of those share options have all been deleted pursuant to a notice of the deletion of all entries or records.

(Notifying All Share Option Holders)

Article 186 (1) Once a Book-Entry Transfer or Account Management Institution effects a deletion as under Article 171, paragraph (3) (including as applied *mutatis mutandis* pursuant to paragraph (4) of that Article), the Book-Entry Transfer Institution must promptly notify the issuer of the names and addresses of holders of the deleted Book-Entry Transfer Share Options, the issue and the number of share options held thereby, and the information specified by Ordinance of the Competent Ministry (referred to as the "information of which the issuer must be notified" in paragraph (5)).

- (2) When notifying the issuer pursuant to the preceding paragraph, a Book-Entry Transfer Institution must notify it that the person prescribed in the relevant of the following items is the holder of share options, for the category of case set forth in the item:
  - (i) if an entry or record has been created for a Book-Entry Transfer Share

- Option as referred to in the preceding paragraph under the holdings column of a Participant's account (this excludes a customer account) in the book-entry transfer account register that the Book-Entry Transfer Institution or its Subordinate Institution maintains: the Participant whose account it is;
- (ii) if an entry or record has been created for a Book-Entry Transfer Share Option as referred to in the preceding paragraph under the pledge column of the account of a Participant as prescribed in preceding item: the person that, as the holder of the share options, has an entry or record for its name in the pledge column of that Participant's account.
- (3) In a case as referred to in Article 181, paragraph (1) or Article 182, paragraph (1), when a Book-Entry Transfer Institution notifies the relevant person as referred to in paragraph (1), it must indicate the number of Book-Entry Transfer Share Options that have been entered or recorded in the Participant account with the Book-Entry Transfer Institution or its Subordinate Institution which it is not possible to assert against the issuer pursuant to the provisions of Article 181, paragraph (1) or Article 182, paragraph (1).
- (4) If asked to do so by its Immediately Superior Institution, an Account Management Institution must promptly report the necessary information for notifying the relevant person as referred to in paragraph (1) (including the information prescribed in the preceding paragraph) with regard to the Book-Entry Transfer Share Options that have been entered or recorded in the Participant's account with the Account Management Institution or its Subordinate Institution.
- (5) If there is a legitimate reason for it to do so, an issuer may demand that a Book-Entry Transfer Institution notify it of the information of which the issuer must be notified concerning share option holders as of a fixed date set by the issuer, paying the expense established by the Book-Entry Transfer Institution. In such a case, the provisions of each of the preceding paragraphs apply *mutatis mutandis*.

(Special Provisions of the Companies Act on Retirement of Share Options)

- Article 187 (1) If an issuer seeks to retire its treasury Book-Entry Transfer Share Options, it must apply for their deletion.
- (2) The retirement of Book-Entry Transfer Share Options takes effect on the day that an entry or record is created showing a reduction as referred to in Article 170, paragraph (4), item (i).

(Special Provisions of the Companies Act on the Exercise of Share Options)

- Article 188 A Participant that exercises a Book-Entry Transfer Share Option must apply for the deletion of that Book-Entry Transfer Share Option.

(Special Provisions of the Companies Act on Mergers)

- Article 189 (1) If a surviving or wholly owning company seeks to issue Book-Entry Transfer Share Options at the time of the absorption-type merger or share exchange or an incorporated or wholly owning company seeks to issue Book-Entry Transfer Share Options at the time of the consolidation-type merger or share transfer, it must notify the relevant person as under Article 167, paragraph (1), using the effective date or date of incorporation as the date under item (i) of that paragraph.
- (2) If a surviving or wholly owning company seeks to transfer Book-Entry Transfer Share Options at the time of the absorption-type merger or share exchange, it must apply for book entries to be made for those Book-Entry Transfer Share Options without delay after the effective date or date of incorporation.
- (3) Before an issuer of Book-Entry Transfer Share Options effects a merger (but only one in which the issuer will be dissolved), absorption-type company split (but only one as prescribed in Article 758, item (v) of the Companies Act), incorporation-type company split (but only one as prescribed in Article 763, item (x) of that Act), share exchange (but only one as prescribed in Article 768, paragraph (1), item (iv) of that Act), or share transfer (but only one as prescribed in Article 773, paragraph (1), item (ix) of that Act), it must give the relevant person notice of the deletion of all entries or records, using the date when the relevant action (hereinafter referred to as a "merger, split, exchange, or transfer" in this Article) takes effect or the incorporation date of the company that is incorporated as a result of the merger, split, exchange, or transfer as the date under Article 171, paragraph (1), item (ii).
- (4) If membership companies merge and the company surviving the absorption-type merger or the company incorporated through the consolidation-type merger seeks to issue Book-Entry Transfer Share Options at the time of the merger, it must specify, in the merger agreement, the accounts (but not special accounts) that have been opened for the members of the membership company in which book entries can be made for those Book-Entry Transfer Share Options.
- (5) If the company succeeding in an absorption-type company split or the company incorporated in an incorporation-type company split seeks to deliver Book-Entry Transfer Share Options at the time of the company split, it must specify, in the absorption-type company split agreement or incorporation-type company split plan, the account (but not a special account) that has been opened for the splitting company in which book entries can be made for those Book-Entry Transfer Share Options.

(Exclusion from Application)

Article 190 The provisions of Article 257, paragraph (1), Article 259, paragraph (1), Article 260, paragraphs (1) and (2), Article 268, paragraph (1), Article 269, paragraph (1), Article 270, paragraphs (1) to (3) inclusive and Article 272-2, paragraphs (1) to (3) inclusive of the Companies Act do not apply to Book-Entry Transfer Share Options.

### **Section 5 Miscellaneous Provisions**

- Article 191 (1) Upon being notified as referred to in Article 166, paragraph (1), the Book-Entry Transfer Institution that has been so notified must immediately take measures, using the means prescribed by Cabinet Order, that will enable the Participants to learn the information set forth in item (ix) of that paragraph concerning Book-Entry Transfer Share Options of the issue to which the notice pertains.
- (2) The expenses incurred in connection with the measures referred to in the preceding paragraph are borne by the issuer of the Book-Entry Transfer Share Options referred to in that paragraph.

## **Chapter IX Book-Entry Transfer of Corporate Bonds with Share Options**

### **Section 1 General Rules**

#### (Ownership of Rights)

- Article 192 (1) The ownership of rights under corporate bonds with share options handled by a Book-Entry Transfer Institution which are provided for in a decision to issue corporate bonds with share options establishing that all corporate bonds with share options issued based on that decision (but only those with options that have Book-Entry Transfer Shares underlying them; this excludes those with respect to which the particulars set forth in Article 236, paragraph (1), item (vi) of the Companies Act have been established) will be subject to the application of this Act (hereinafter referred to as "Book-Entry Transfer Bonds with Share Options") is established by the entries or records in a book-entry transfer account register as under this Chapter.
- (2) In this Chapter, the number of Book-Entry Transfer Bonds with Share Options is determined by the number of share options embedded in those bonds; provided, however, that the number of Book-Entry Transfer Bonds with Share Options whose share options have been extinguished is determined by the number of extinguished share options.

#### (Non-issuance of Certificates Representing Corporate Bonds with Share Options)

- Article 193 (1) Certificates representing corporate bonds with share options

(meaning certificates representing corporate bonds with share options as prescribed in Article 249, item (ii) of the Companies Act) may not be issued for Book-Entry Transfer Bonds with Share Options.

- (2) Notwithstanding the preceding paragraph, if a Book-Entry Transfer Institution that handles Book-Entry Transfer Bonds with Share Options has its Article 3, paragraph (1) designation rescinded pursuant to the provisions of Article 22, paragraph (1) or its designation ceases to be effective pursuant to the provisions of Article 41, paragraph (1) and there is no person to succeed to the Book-Entry Transfer Services thereof; or if a Book-Entry Transfer Institution that handles Book-Entry Transfer Bonds with Share Options ceases to handle those Book-Entry Transfer Bonds with Share Options, a person holding such a Book-Entry Transfer Bond with Share Options (hereinafter referred to as the "holder of a book-entry transfer bond with share options" in this Chapter) may ask the issuer to issue a certificate representing a corporate bond with share options.
- (3) The certificate representing a corporate bond with share options referred to in the preceding paragraph is in bearer form.

## **Section 2 Book-Entry Transfer Account Registers**

(Information Required to Be Entered or Recorded in a Book-Entry Transfer Account Register)

Article 194 (1) A book-entry transfer account register is subdivided by account for each Participant.

- (2) The account of an Account Management Institution in a book-entry transfer account register is subdivided as follows:
  - (i) an account in which entries or records are created for Book-Entry Transfer Bonds with Share Options under which the Account Management Institution holds rights (hereinafter referred to as the institution's "own account" in this Chapter);
  - (ii) an account in which entries or records are created for Book-Entry Transfer Bonds with Share Options under which the Participants of the Account Management Institution or of its Subordinate Institution holds rights (hereinafter referred to as a "customer account" in this Chapter).
- (3) Entries or records giving the following information are made for each account (other than customer accounts) in a book-entry transfer account register:
  - (i) the name and address of the Participant;
  - (ii) the issuer's trade name and the type of Book-Entry Transfer Bonds with Share Options (and an indication that the share option embedded in the Book-Entry Transfer Bond has already been exercised, if this is the case; or that the corporate bond itself has already been redeemed, if this is the case;



- hereinafter referred to as the "issue" in this Chapter);
- (iii) the number of Book-Entry Transfer Bonds with Share Options, by issue (other than as set forth in the following item);
  - (iv) that the Participant in question is a pledgee, if this is the case; the number of Book-Entry Transfer Bonds with Share Options that have been pledged thereto, by issue; the number of Book-Entry Transfer Bonds with Share Options of each issue that each bondholder has pledged thereto; and the names and addresses of the holders of such Book-Entry Transfer Bonds with Share Options;
  - (v) that the Participant in question is the trustee of a trust, if this is the case; and the number of Book-Entry Transfer Bonds with Share Options as referred to in the preceding two items which constitute trust property;
  - (vi) other information specified by Cabinet Order.
- (4) Entries or records giving the following information are made for each customer account in a book-entry transfer account register:
- (i) the information set forth in items (i) and (ii) of the preceding paragraph;
  - (ii) the number of Book-Entry Transfer Bonds with Share Options, by issue;
  - (iii) other information specified by Cabinet Order.
- (5) If a Book-Entry Transfer Institution opens an Institution-Held Account, it must create a subdivision for that account in the book-entry transfer account register and enter or record the following information:
- (i) the issue;
  - (ii) the number of Book-Entry Transfer Bonds with Share Options, by issue;
  - (iii) other information specified by Cabinet Order.
- (6) A book-entry transfer account register may be created as an electronic or magnetic record (limited to one as specified by Ordinance of the Competent Ministry).

(Creating New Entries or Records upon Issuance of Book-Entry Transfer Bonds with Share Options)

Article 195 (1) The issuer of Book-Entry Transfer Bonds with Share Options of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information without delay after the date on which it issues those Book-Entry Transfer Bonds with Share Options:

- (i) the issue of Book-Entry Transfer Bonds with Share Options that it has issued;
- (ii) the names of the Participants that constitute the holders and pledgees of the Book-Entry Transfer Bonds with Share Options referred to in the preceding item;
- (iii) the accounts opened for the Participants referred to in the preceding item,

- in which book entries can be made for the Book-Entry Transfer Bonds with Share Options referred to in item (i);
- (iv) the number of Book-Entry Transfer Bonds with Share Options as referred to in item (i) for each Participant (other than as set forth in the following item);
  - (v) that a Participant is a pledgee, if this is the case; the number of Book-Entry Transfer Bonds with Share Options as referred to in item (i) that have been pledged to each Participant; and the number of these bonds that each bondholder has pledged;
  - (vi) the names and addresses of the bondholders referred to in the preceding item;
  - (vii) that a Participant is the trustee of a trust, if this is the case; and the number of Book-Entry Transfer Bonds with Share Options as referred to in items (iv) and (v) which constitute trust property;
  - (viii) information as set forth in paragraph (3), item (vi) of the preceding Article which Cabinet Order prescribes as information that the issuer is able to learn;
  - (ix) the total number of Book-Entry Transfer Bonds with Share Options as referred to in item (i); the total amount of those Book-Entry Transfer Bonds with Share Options; the period during which the share options embedded in the Book-Entry Transfer Bonds with Share Options are exercisable; and the information specified by Ordinance of the Competent Ministry.
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately take the following measures for the issue of Book-Entry Transfer Bonds with Share Options about which it has been notified:
- (i) create the following entries or records, if the Book-Entry Transfer Institution is the one that opened the account referred to item (iii) of the preceding paragraph:
    - (a) an entry or record showing an increase equal to the number referred to in item (iv) of the preceding paragraph for a Participant as referred to in item (ii) of that paragraph (but only one that is a bondholder as referred to in that item), in the column of the account where the information set forth in paragraph (3), item (iii) of the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
    - (b) an entry or record showing an increase equal to the number of Book-Entry Transfer Bonds with Share Options and the number of these bonds ascribable to each bondholder as referred to in item (v) of the preceding paragraph, for a Participant as referred to in item (ii) of that paragraph (but only one that is a pledgee as referred to in that item), in the column of the account where the information set forth in paragraph (3), item (iv) of

- the preceding Article is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
- (c) an entry or record in the pledge column of the account showing the information set forth in item (vi) of the preceding paragraph;
  - (d) an entry or record in the account showing an increase equal to the number of Book-Entry Transfer Bonds with Share Options constituting trust property which is referred to in item (vii) of the preceding paragraph;
  - (e) an entry or record in the account showing the information set forth in item (viii) of the preceding paragraph.
- (ii) create an entry or record showing an increase equal to the total of the number referred to in item (iv) of the preceding paragraph and the number of Book-Entry Transfer Bonds with Share Options as referred to in item (v) of that paragraph for a Participant as referred to in item (ii), in the customer account subdivision under the account of whichever of the Book-Entry Transfer Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant, and notify the Immediately Subordinate Institution of the information set forth in items (i) to (viii) inclusive of that paragraph, if the Book-Entry Transfer Institution is not the one that opened the account referred to item (iii) of the preceding paragraph.
- (3) If an Account Management Institution is notified as referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), the provisions of the preceding paragraph apply *mutatis mutandis* to the Account Management Institution that has been so notified.

(Procedures If the Issuer Cannot Find the Account of the Holder of Corporate Bonds with Share Options)

Article 196 (1) If a company seeks to deliver Book-Entry Transfer Bonds with Share Options of a particular issue but is unable to find an account that has been opened for the holder or pledgee of those bonds in which book entries can be made for Book-Entry Transfer Bonds with Share Options, the company (or the person specified by Ordinance of the Competent Ministry as being equivalent to such a company, if it is delivering Book-Entry Transfer Bonds with Share Options at the time of a consolidation-type merger or in any other case specified by Ordinance of the Competent Ministry; hereinafter referred to as the "notifier" in this Article) must notify the person that Ordinance of the Competent Ministry prescribes as the one that will become the holder or pledgee of those Book-Entry Transfer Bonds with Share Options, of the following information, by one month prior to the fixed date referred to in item (i):

- (i) that the company will notify the relevant party as referred to in paragraph (1) of the preceding Article or apply for a book-entry transfer to be made for

- the holder (other than a holder of Book-Entry Transfer Bonds with Share Options underlying a pledge, if there is a pledgee) or pledgee of the Book-Entry Transfer Bonds with Share Options on a fixed date;
- (ii) that the notifier must be notified of the account opened for the bondholder or pledgee referred to in the preceding item (other than an account opened by a Book-Entry Transfer or Account Management Institution based on a request as referred to in the main clause of paragraph (3)) in which book entries can be made for Book-Entry Transfer Bonds with Share Options, by the fixed date referred to in that item;
  - (iii) the name and address of the Book-Entry Transfer or Account Management Institution that opens accounts based on requests as referred to in the main clause of paragraph (3);
  - (iv) other information specified by Ordinance of the Competent Ministry.
- (2) If the notifier referred to in the preceding paragraph is a person other than a company as referred to in that paragraph, the notifier must notify that company, on the fixed date referred to in item (i) of that paragraph, of the account referred to in item (ii) of that paragraph of which the bondholder or pledgee referred to in that item has notified it.
- (3) If a holder or pledgee of Book-Entry Transfer Bonds with Share Options as referred to in paragraph (1), item (i) does not notify the notifier of an account as referred to in item (ii) of that paragraph by the fixed date referred to in item (i) of that paragraph, the company must request the Book-Entry Transfer or Account Management Institution referred to in item (iii) of that paragraph to open an account for the bondholder or pledgee in which book entries can be made for Book-Entry Transfer Bonds with Share Options (hereinafter referred to as a "special account" in this Chapter); provided, however, that this does not apply if there is a special account open that the company has requested be opened for the bondholder or pledgee.
- (4) If a company is the issuer of corporate bonds with share options that constitute Book-Entry Transfer Bonds with Share Options as referred to in paragraph (1) but has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the Book-Entry Transfer Institution with regard to those Book-Entry Transfer Bonds with Share Options.
- (5) In the case prescribed in paragraph (1), when the company notifies the relevant party as referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) of which it is notified by the holder of Book-Entry Transfer Bonds with Share Options or pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if it has not been so notified) as the account referred

to in paragraph (1), item (iii) of the preceding Article.

(Making Book-Entries)

Article 197 (1) On receiving an application for a book-entry transfer involving Book-Entry Transfer Bonds with Share Options of a particular issue, a Book-Entry Transfer or Account Management Institution, pursuant to the provisions of paragraphs (4) to (8) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction or increase in the book-entry transfer account register that it maintains, or must notify the relevant person.

(2) Unless otherwise prescribed in this Act, the application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record of a reduction is to file with its Immediately Superior Institution.

(3) A person filing an application as referred to in paragraph (1) must indicate the following information in that application:

(i) the issue and the number of Book-Entry Transfer Bonds with Share Options for which entries or records showing a reduction and increase will need to be created when the book-entry transfer is effected;

(ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the account of the Participant referred to in the preceding paragraph;

(iii) the names and addresses of the holders of Book-Entry Transfer Bonds with Share Options in connection with which entries or records will need to be created, and the number constituting each bondholder's part of the number of Book-Entry Transfer Bonds with Share Options as referred to in item (i) (hereinafter referred to as the "number subject to book-entry transfer" in this Article), if the reduction will be entered or recorded in the pledge column of the account referred to in the preceding item;

(iv) the account in which the entry or record showing the increase will need to be created (this excludes a customer account; hereinafter referred to as the "transferee account" in this Chapter);

(v) whether the increase will be entered or recorded in the holdings column or the pledge column of the transferee account (this excludes the Institution-Held Account);

(vi) the number constituting each bondholder's part of the number subject to book-entry transfer and the names and addresses of those bondholders, if the increase will be entered or recorded in the pledge column of the transferee account (this excludes the Institution-Held Account).

(4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer or Account Management Institution receiving it must take the

following measures without delay:

- (i) create the following entries or records in the holdings column or pledge column of the account of the Participant referred to in paragraph (2), as indicated pursuant to the provisions of item (ii) of the preceding paragraph:
  - (a) an entry or record showing a reduction equal to the number subject to book-entry transfer;
  - (b) an entry or record showing a reduction equal to the number constituting each bondholder's part as referred to in item (iii) of the preceding paragraph, if the entry or record of the reduction referred to in sub-item (a) is created in the pledge column.
- (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of items (i) and (iv) to (vi) inclusive of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is not the Common Immediately Superior Institution for the book-entry transfer;
- (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer in either the holdings column or the pledge column of the transferee account, as indicated pursuant to the provisions of item (v) of the preceding paragraph (or in the column where the information set forth in Article 194, paragraph (5), item (ii) is entered or recorded, for an Institution-Held Account; hereinafter referred to as the "transferee column" in this Article), if the Book-Entry Transfer or Account Management Institution is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
- (iv) create the following entries or records in the pledge column in a case as referred to in the preceding item, if the transferee column is the pledge column:
  - (a) an entry or record showing an increase equal to the number constituting each bondholder's part as referred to in item (vi) of the preceding paragraph;
  - (b) an entry or record showing the name and address of the bondholder.
- (v) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer or Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information indicated pursuant to the provisions of items (i) and (iv) through (vi) inclusive of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.

- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the number subject to book-entry transfer in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is not the Common Immediately Superior Institution for the book-entry transfer;
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer in the transferee column of the transferee account, if the Book-Entry Transfer or Account Management Institution is the Common Immediately Superior Institution for the book-entry transfer and is also the one that has opened the transferee account;
  - (iv) create the entries or records set forth in item (iv), sub-items (a) and (b) of the preceding paragraph in the pledge column, in a case as referred to in the preceding item, if the transferee column is the pledge column;
  - (v) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Book-Entry Transfer or Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is the Common Immediately Superior Institution for the book-entry transfer but is not the one that opened the transferee account.
- (6) The provisions of the preceding paragraph apply *mutatis mutandis* to a Book-Entry Transfer or Account Management Institution that is notified as referred to in item (ii) of the preceding paragraph (including as applied *mutatis mutandis* pursuant to this paragraph), once it has been so notified.
- (7) Upon being notified as referred to in paragraph (4), item (v) or paragraph (5), item (v) (including as applied *mutatis mutandis* pursuant to the preceding paragraph; hereinafter the same applies in this paragraph), the Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing an increase equal to the number subject to book-entry transfer in the transferee column of the transferee account, if the Account Management Institution is the institution that opened the

- transferee account;
- (ii) create the entries or records set forth in paragraph (4), item (iv), sub-items (a) and (b) in the pledge column, in a case as referred to in the preceding item, if the transferee column is the pledge column;
  - (iii) create an entry or record showing an increase equal to the number subject to book-entry transfer, in the customer account subdivision under the account of whichever of the Account Management Institution's Immediately Subordinate Institutions is the Superior Institution of the Participant whose transferee account it is, and notify the Immediately Subordinate Institution of the information of which it has been notified pursuant to the provisions of paragraph (4), item (v) or paragraph (5), item (v), if the Account Management Institution is not the one that opened the transferee account.
- (8) The provisions of the preceding paragraph apply mutatis mutandis to an Account Management Institution that is notified as referred to in item (iii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(Special Provisions on Making Book-Entries for Book-Entry Transfer Bonds with Share Options That Have Been Entered or Recorded in a Special Account)

Article 198 (1) A Participant may not apply for a book-entry transfer involving a Book-Entry Transfer Bond with Share Options that has been entered or recorded in a special account if the transferee account is other than that of the Participant or that of the issuer of the Book-Entry Transfer Bond with Share Options.

- (2) If, after a notice as referred to in Article 195, paragraph (1) or an application for a book-entry transfer involving Book-Entry Transfer Bonds with Share Options of a particular issue is made, a person that, before the notice or application, acquired shares in a company disappearing in a merger but that cannot be delivered the Book-Entry Transfer Bonds with Share Options that replace those shares at the time of merger because no entry or record has been made for the person in the shareholder register, or any other person specified by Ordinance of the Competent Ministry (hereinafter referred to as the acquirer or other such person" in this Article) files a joint request together with the Participant in whose special account the Book-Entry Transfer Bonds with Share Options have been entered or recorded, the issuer must take the following actions. The same applies if the acquirer or other such person files a request accompanied by an authenticated copy or certified copy of an enforceable judgment that orders the Participant to file such a request or accompanied by any other paper document specified by Ordinance of the Competent Ministry as being equivalent thereto, and the same also applies in



cases prescribed by Ordinance of the Competent Ministry as those in which the interests of the Participant and other interested persons are unlikely to be prejudiced even if the issuer takes the following actions as requested by the acquirer or other such person:

- (i) filing a request as referred to in the main clause of Article 196, paragraph (3) for the acquirer or other such person;
  - (ii) filing an application for the book-entry transfer of those Book-Entry Transfer Bonds with Share Options in the transferee account that has been opened as per the request referred to in the preceding item.
- (3) A Participant other than the issuer that has requested for a special account to be opened may not apply for a book-entry transfer with the special account as the transferee account.

(Making Deletions)

Article 199 (1) On receiving an application for the deletion of a Book-Entry Transfer Bond with Share Options of a particular issue, a Book-Entry Transfer or Account Management Institution, pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in the application pursuant to the provisions of paragraph (3), must create an entry or record showing a reduction in the book-entry transfer account register that it maintains, or must notify the relevant person.

- (2) The application referred to in the preceding paragraph is something that the Participant in whose account (this excludes a customer account) the reduction resulting from the deletion will be entered or recorded is to file with its Immediately Superior Institution.
- (3) A Participant filing an application as referred to in paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
  - (i) the issue and the number of Book-Entry Transfer Bonds with Share Options for which the entry or record showing the reduction will need to be created when the deletion is effected;
  - (ii) whether the reduction will be entered or recorded in the holdings column or the pledge column of the applicant's account.
- (4) Upon receipt of an application as referred to in paragraph (1), the Book-Entry Transfer or Account Management Institution receiving it must take the following measures without delay:
  - (i) create an entry or record showing a reduction equal to the number referred to in item (i) of the preceding paragraph in the holdings column or pledge column of the applicant's account as indicated pursuant to the provisions of item (ii) of the preceding paragraph;
  - (ii) notify the Immediately Superior Institution of the information indicated

pursuant to the provisions of item (i) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.

- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
  - (i) create an entry or record showing a reduction equal to the number under paragraph (3), item (i), in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer or Account Management Institution that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.
- (7) Unless an issuer goes through a bond manager or similar person (meaning a bond manager or similar person as prescribed in Article 71, paragraph (7), the same applies in the following paragraph) to redeem Book-Entry Transfer Bonds with Share Options for the holder or pledgee thereof, the issuer may demand that, in exchange for the issuer redeeming Book-Entry Transfer Bonds with Share Options, the holder or pledgee thereof file an application with its Immediately Superior Institution to enter a deletion for the Book-Entry Transfer Bonds with Share Options of that issue which appear on its account, deleting from the account the number of Book-Entry Transfer Bonds with Share Options that corresponds to the amount of corporate bonds for which the Book-Entry Transfer Bonds with Share Options are being redeemed.
- (8) The provisions of the preceding paragraph apply mutatis mutandis when a bond manager or similar person through which Book-Entry Transfer Bonds with Share Options are redeemed for the holder or pledgee thereof pays the amount so redeemed to the bondholder or pledgee.

(Deleting All Entries or Records)

Article 200 (1) The issuer of Book-Entry Transfer Bonds with Share Options of a particular issue must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information before deleting all of the entries or records regarding those Book-Entry Transfer Bonds with Share Options:

- (i) the issue of Book-Entry Transfer Bonds with Share Options;
- (ii) the date for the deletion of all of the entries or records regarding those

Book-Entry Transfer Bonds with Share Options.

- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of Book-Entry Transfer Bonds with Share Options about which it has been notified.
- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified must delete the entries or records for all Book-Entry Transfer Bonds with Share Options as referred to in item (i) from the accounts in the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Bonds with Share Options (for accounts other than the Institution-Held Account or a customer account, this means the holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter).
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.

(Creating Entries or Records after Expiration of the Period for Exercising Share Options Embedded in Book-Entry Transfer Bonds)

Article 201 After the expiration of the period in which the share options embedded in Book-Entry Transfer Bonds of a particular issue (but only redeemed corporate bonds) are exercisable, a Book-Entry Transfer Institution must immediately delete the entries or records for all of those Book-Entry Transfer Bonds with Share Options from the holdings and pledge columns of the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Bonds with Share Options.

(Creating Entries or Records for Share Options Embedded in Book-Entry Transfer Bonds)

Article 202 (1) If a share option embedded in a Book-Entry Transfer Bond (other than a redeemed corporate bond) of a particular issue is exercised, the issuer of the bond must notify the relevant person of measures for the creation of an entry or record showing an increase in Book-Entry Transfer Bonds with Share Options without delay after the share option is exercised, unless the corporate bond constituting the Book-Entry Transfer Bond with Share Options ceases to exist due to the exercise of the share option. In such a case, the issuer is to notify the Immediately Superior Institution of the Participant in whose

account (this excludes a customer account) the increase will be entered or recorded as a result of those measures.

- (2) On being notified as referred to in the first sentence of the preceding paragraph, a Book-Entry Transfer or Account Management Institution must enter or record an increase in the Book-Entry Transfer Bonds with Share Options about which it has been notified in the book-entry transfer account register that it maintains or must notify the relevant person, pursuant to the provisions of paragraphs (4) to (6) inclusive and in accordance with the indication given in that notice pursuant to the provisions of the following paragraph.
- (3) The issuer must indicate the following information when notifying the relevant person as referred to in the first sentence of paragraph (1):
  - (i) the name and account of the Participant in whose account the increase will be entered or recorded as a result of the measures referred to in paragraph (1);
  - (ii) the issue and the number of Book-Entry Transfer Bonds with Share Options for which an entry or record showing an increase will need to be created as the result of the measures referred to in paragraph (1);
  - (iii) other information specified by Ordinance of the Competent Ministry.
- (4) Upon being notified as referred to in the first sentence of paragraph (1), a Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
  - (i) create an entry or record showing an increase equal to the number referred to in item (ii) of the preceding paragraph in the holdings column of the account referred to in item (i) of that paragraph;
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of items (ii) and (iii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
  - (i) create an entry or record showing an increase equal to the number referred to in paragraph (3), item (ii) in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer or Account Management Institution that is notified as referred

to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(Creating Entries or Records for Redemption of Book-Entry Transfer Bonds with Share Options)

- Article 203 (1) When a corporate bond associated with a Book-Entry Transfer Bond with Share Options of a particular issue (other than one with an extinguished share option) is redeemed, the issuer of the bond must notify the relevant person of measures for the creation of an entry or record showing an increase in Book-Entry Transfer Bonds with Share Options without delay after its redemption. In such a case, the issuer is to notify the Immediately Superior Institution of the Participant in whose account (this excludes a customer account) the increase will be entered or recorded as a result of those measures.
- (2) On being notified as referred to in the first sentence of the preceding paragraph, a Book-Entry Transfer or Account Management Institution, pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in that notice pursuant to the provisions of the following paragraph, must enter or record an increase in the Book-Entry Transfer Bonds with Share Options about which it has been notified in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (3) The issuer must indicate the following information when notifying the relevant person as referred to in the first sentence of paragraph (1):
- (i) the name and account of the Participant in whose account the increase will be entered or recorded as a result of the measures referred to in paragraph (1);
  - (ii) the issue and the number of Book-Entry Transfer Bonds with Share Options for which the entry or record showing the increase will need to be created as the result of the measures referred to in paragraph (1);
  - (iii) whether the increase will be entered or recorded in the holdings column or the pledge column of the account referred to in item (i);
  - (iv) other information specified by Ordinance of the Competent Ministry.
- (4) Upon being notified as referred to in the first sentence of paragraph (1), a Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing an increase equal to the number referred to in item (ii) of the preceding paragraph in the holdings column or pledge column indicated pursuant to the provisions of item (iii) of that paragraph in the account under item (i) of that paragraph;
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of items (ii) and (iv) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account

Management Institution.

- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing an increase equal to the number under paragraph (3), item (ii) in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer or Account Management Institution that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(Changing Entries or Records)

Article 204 If a Book-Entry Transfer or Account Management Institution learns of a change having arisen with respect to information as set forth in one of the items of Article 194, paragraph (3), (4) or (5) in connection with the book-entry transfer account register that it maintains, it must immediately enter or record the change in the book-entry transfer account register.

### **Section 3 Effect of Book Entry Trasfer**

(Transfer of Book-Entry Transfer Bonds with Share Options)

Article 205 A transfer of Book-Entry Transfer Bonds with Share Options (other than a claim for interest due free from seizure; the applies in the following Article through Article 209) does not take effect unless the transferee has had an entry or record created in the holdings column of its account (or in the column where the information set forth in Article 194, paragraph (5), item (ii) is entered or recorded, for the Institution-Held Account), based on an application for book-entry transfer, showing an increase equal to the number of Book-Entry Transfer Bonds with Share Options subject to the transfer.

(Pledges of Book-Entry Transfer Bonds with Share Options)

Article 206 A pledge of Book-Entry Transfer Bonds with Share Options does not take effect unless the pledgee has had an entry or record created in the pledge column of its account, based on an application for book-entry transfer, showing an increase equal to the number of Book-Entry Transfer Bonds with Share Options subject to the pledge.

(Requirement for Perfection of Book-Entry Transfer Bonds with Share Options That Are Trust Property)

- Article 207 (1) Unless an entry or record has been created for a Book-Entry Transfer Bond with Share Options in a book-entry transfer account register pursuant to the provisions of Article 194, paragraph (3), item (v), indicating that the Book-Entry Transfer Bond with Share Options is trust property, it is not permissible to assert against a third party that the corporate bond with share options is trust property.
- (2) An entry or record in a book-entry transfer account register as prescribed in the preceding paragraph is created pursuant to the provisions of Cabinet Order.

(Participants' Presumed Rights)

- Article 208 A Participant is presumed to be the lawful holder of the rights under a Book-Entry Transfer Bond with Share Options that has been entered or recorded in the account thereof (but only in its own account, if the Participant is an Account Management Institution).

(Acquisition in Good Faith)

- Article 209 A Participant (or a Book-Entry Transfer Institution with an Institution-Held Account) that has had an entry or record created in its account (but only in its own account, if it is an Account Management Institution), based on an application for book-entry transfer, showing an increase in Book-Entry Transfer Bonds with Share Options of a particular issue acquires the rights associated with the entry or record showing the increase in the Book-Entry Transfer Bonds with Share Options of that issue; provided, however that this does not apply if the Participant has acted in bad faith or with gross negligence.

(Book-Entry Transfer Institution's Obligations If There Are Entries or Records of Overages)

- Article 210 (1) If the total number of Book-Entry Transfer Bonds with Share Options of a particular issue that all holders hold based on acquisitions of Book-Entry Transfer Bonds with Share Options under the preceding Article comes to exceed the total issued number of Book-Entry Transfer Bonds with Share Options of that issue, and the aggregate number referred to in item (i) exceeds the total issued number referred to in item (ii), the Book-Entry Transfer Institution has a duty to acquire Book-Entry Transfer Bonds with Share Options in that issue until its holdings reach the number in overage (meaning the aggregate number referred to in item (i), less the total issued number referred to in item (ii)):

- (i) the total number of Book-Entry Transfer Bonds with Share Options of that issue which have been entered or recorded in the accounts of the Participants of the Book-Entry Transfer Institution, in the book-entry transfer account register maintained by that Book-Entry Transfer Institution;
  - (ii) the total issued number of Book-Entry Transfer Bonds with Share Options of that issue.
- (2) The phrase "the total issued number of Book-Entry Transfer Bonds with Share Options of that issue" in the preceding paragraph means the number that each of the following items prescribes for the category of case set forth in the item (or the total number, in the case referred to in item (iii)):
- (i) if corporate bonds associated with the Book-Entry Transfer Bonds with Share Options referred to in preceding paragraph have already been redeemed: the number of Book-Entry Transfer Bonds with Share Options in connection with which corporate bonds have been redeemed (this excludes the redemption of Book-Entry Transfer Bonds with Share Options that it is not possible to assert against the issuer pursuant to the provisions of Article 212, paragraph (1) or Article 213, paragraph (1)), (other than the number of Book-Entry Transfer Bonds with Share Options whose share options have been retired or exercised);
  - (ii) if share options embedded in the Book-Entry Transfer Bonds referred to in the preceding paragraph have already been exercised: the number of Book-Entry Transfer Bonds with Share Options whose share options have been exercised (this excludes the exercise of share options embedded in Book-Entry Transfer Bonds which it is not possible to assert against the issuer pursuant to the provisions of Article 212, paragraph (1) or Article 213, paragraph (1)), (other than the number of Book-Entry Transfer Bonds with Share Options in connection with which corporate bonds have been redeemed);
  - (iii) in a case other than as set forth in the preceding two items: the total number of Book-Entry Transfer Bonds with Share Options (this excludes the number whose share options have been exercised or in connection with which corporate bonds have been redeemed).
- (3) If there is any number as prescribed in item (i) of the preceding paragraph for which an entry or record showing an increase or reduction has been created in an account as prescribed in that item, but the rights associated with that entry or record have not arisen, been transferred, or been extinguished, and it is proven that nobody has acquired Book-Entry Transfer Bonds with Share Options pursuant to the provisions of the preceding Article in the number for which the entry or record has been created, that number is treated as if the entry or record had not been created.
- (4) Once a Book-Entry Transfer Institution has acquired Book-Entry Transfer



Bonds with Share Options pursuant to the provisions of paragraph (1), it has a duty to immediately manifest its intention to the issuer to be bound by its renunciation of all rights to those Book-Entry Transfer Bonds with Share Options.

- (5) The rights to Book-Entry Transfer Bonds with Share Options prescribed in the preceding paragraph are extinguished once an intention to be bound by a renunciation is manifested pursuant to that paragraph.
- (6) Once a Book-Entry Transfer Institution manifests its intention to be bound by a renunciation pursuant to the provisions of paragraph (4) with respect to Book-Entry Transfer Bonds with Share Options, it must immediately enter deletions for those Book-Entry Transfer Bonds with Share Options in the book-entry transfer account register.

(Account Management Institutions' Obligations If There Are Entries or Records of Overages)

Article 211 (1) In a case as prescribed in paragraph (1) of the preceding Article, if there is an Account Management Institution in connection with which the total number referred to in item (i) comes to exceed the number referred to in item (ii), the Account Management Institution has a duty to manifest its intention to the issuer to be bound by its renunciation of all rights to the Book-Entry Transfer Bonds with Share Options of that issue in a number equal to the overage (meaning the total number referred to in item (i), less the number referred to in item (ii)):

- (i) the total number of Book-Entry Transfer Bonds with Share Options of that issue which have been entered or recorded in the accounts of the Participants of the Account Management Institution, in the book-entry transfer account register maintained by that Account Management Institution;
  - (ii) the number of Book-Entry Transfer Bonds with Share Options of that issue which have been entered or recorded in the customer account subdivision under the account of the Account Management Institution, in the book-entry transfer account register maintained by its Immediately Superior Institution.
- (2) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to:
    - (i) the number prescribed in item (i) of the preceding paragraph;
    - (ii) the number set forth in item (ii) of the preceding paragraph, if an entry or record showing an increase or reduction has been created in a customer account as prescribed in that item but the rights associated with that entry or record have not arisen, been transferred, or been extinguished.
  - (3) In a case as referred to in paragraph (1), if the Account Management Institution does not hold Book-Entry Transfer Bonds with Share Options of the issue prescribed in that paragraph in an amount equal to the overage

prescribed in that paragraph, it has a duty to acquire Book-Entry Transfer Bonds with Share Options in that issue until its holdings reach the amount of the overage, before manifesting its intention to be bound by a renunciation under the provisions of that paragraph.

- (4) Once an Account Management Institution has manifested its intention to be bound by a renunciation pursuant to the provisions of paragraph (1), it must immediately notify its Immediately Superior Institution:
  - (i) that it has manifested the intention to be bound by the renunciation;
  - (ii) of the issue and the number of Book-Entry Transfer Bonds with Share Options with respect to which it has manifested the intention to be bound by the renunciation.
- (5) Upon being notified as referred to in the preceding paragraph, the Immediately Superior Institution referred to in that paragraph must immediately create the following entries or records regarding Book-Entry Transfer Bonds with Share Options of the issue set forth in item (ii) of that paragraph, in the book-entry transfer account register that it maintains:
  - (i) an entry or record under the account of the Account Management Institution referred to in that paragraph in the subdivision for the institution's own account, showing a reduction equal to the number referred to in item (ii) of the preceding paragraph;
  - (ii) an entry or record in the customer account subdivision under the account referred to in the preceding item, showing an increase equal to the number referred to in item (ii) of the preceding paragraph.

(Handling in the Event of Book-Entry Transfer Institution's Non-performance of Obligations as Regards Entries or Records of Overages)

- Article 212 (1) In a case as prescribed in Article 210, paragraph (1), until the Book-Entry Transfer Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (4) of that Article, it is not permissible for any one of the holders to assert a bond against the issuer as regards the part of the Book-Entry Transfer Bonds with Share Options of the relevant issue that the bondholder holds which corresponds to the number arrived at when the percentage of the total number referred to in item (ii) that the number referred to in item (i) accounts for is multiplied by the number in overage prescribed in paragraph (1) of that Article (or by the number in overage less any number representing partial performance of the obligation referred to in paragraph (4) of that Article) prescribed in paragraph (1) of that Article (hereinafter referred to as the "maximum number ascribable to the book-entry transfer institution" in this Article and Article 221):
- (i) the number of Book-Entry Transfer Bonds with Share Options of that issue that the bondholder holds (or, if the Book-Entry Transfer Institution has a

Subordinate Institution that is required to manifest an intention to be bound by a renunciation of the rights to Book-Entry Transfer Bonds with Share Options of that issue pursuant to the provisions of paragraph (1) of the preceding Article, the number of such bonds less the maximum number ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of that bondholder (but only in respect of the holder of a Book-Entry Transfer Bond with a Share Option that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));

(ii) the total number of Book-Entry Transfer Bonds with Share Options of that issue that all holders hold (or, if the Book-Entry Transfer Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of the rights to Book-Entry Transfer Bonds with Share Options of that issue pursuant to the provisions of paragraph (1) of the preceding Article, that total number of bonds less the total of the maximum numbers ascribable to the account management institution constituting that Subordinate Institution, as prescribed in paragraph (1) of the following Article, for the overage prescribed in paragraph (1) of the preceding Article in respect of all of the holders of Book-Entry Transfer Bonds with Share Options that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).

(2) In the case prescribed in Article 210, paragraph (1), the Book-Entry Transfer Institution prescribed in that paragraph assumes the following duties toward each bondholder:

(i) in a case as referred to in the preceding paragraph, the duty to redeem the principal and pay interest, in lieu of the issuer, on the part of the Book-Entry Transfer Bonds with Share Options of the relevant issue (other than those that have had the corporate bond redeemed) that each bondholder holds, up to the maximum number ascribable to the book-entry transfer institution;

(ii) the duty to indemnify the bondholder for any damage caused by non-performance of obligations as referred to in Article 210, paragraph (1) or (4), beyond what is set forth in the preceding item.

(Handling in the Event of Account Management Institutions' Non-performance of Obligations as Regards Entries or Records of Overages)

Article 213 (1) In a case as prescribed in Article 211, paragraph (1), until the Account Management Institution prescribed in that paragraph fully performs the obligations referred to in that paragraph and paragraph (3) of that Article, a holder (but only the holder of a Book-Entry Transfer Bond with a Share

Option that has been entered or recorded in the account opened by the Account Management Institution or by its Subordinate Institution) may not assert a bond against the issuer as regards the part of the Book-Entry Transfer Bonds with Share Options of the relevant issue that the bondholder holds which corresponds to the number arrived at when the percentage of the total number referred to in item (ii) that the number referred to in item (i) accounts for is multiplied by the number in overage prescribed in paragraph (1) of that Article (or by the number in overage less any number representing partial performance of the obligation referred to in that paragraph) prescribed in paragraph (1) of that Article (hereinafter referred to as the "maximum number ascribable to the account management institution" in this Article and Article 221):

- (i) the number of Book-Entry Transfer Bonds with Share Options of that issue that the bondholder holds (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of the rights to Book-Entry Transfer Bonds with Share Options of that issue pursuant to the provisions of Article 211, paragraph (1), the number of such bonds less the maximum number ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of that bondholder (but only in respect of the holder of a Book-Entry Transfer Bond with a Share Option that has been entered or recorded in an account opened by that Subordinate Institution or by its Subordinate Institution));
  - (ii) the total number of Book-Entry Transfer Bonds with Share Options of that issue held by all of the holders of Book-Entry Transfer Bonds with Share Options that have been entered or recorded in accounts opened by that Account Management Institution or by its Subordinate Institution (or, if the Account Management Institution has a Subordinate Institution that is required to manifest an intention to be bound by a renunciation of the rights to Book-Entry Transfer Bonds with Share Options of that issue pursuant to the provisions of Article 211, paragraph (1), that total number of bonds less the total of the maximum numbers ascribable to the account management institution that constitutes that Subordinate Institution, for the overage prescribed in that paragraph in respect of all of the holders of Book-Entry Transfer Bonds with Share Options that have been entered or recorded in accounts opened by that Subordinate Institution or by its Subordinate Institution).
- (2) In the case prescribed in Article 211, paragraph (1), the Account Management Institution prescribed in that paragraph assumes the following duties toward a bondholder as prescribed in the preceding paragraph:
- (i) in a case as referred to in the preceding paragraph, the duty to redeem the

principal and pay interest, in lieu of the issuer, on the part of the Book-Entry Transfer Bonds with Share Options of the relevant issue (other than those that have had the corporate bond redeemed) that each bondholder holds, up to the maximum number ascribable to the account management institution;

(ii) the duty to indemnify the bondholder for any damage caused by non-performance of obligations as referred to in Article 211, paragraph (1) or (3), beyond what is set forth in the preceding item.

(Handling If the Issuer Redeems Book-Entry Transfer Bonds with Share Options in Error)

- Article 214 (1) Even if an issuer is acting in good faith, its redemption of principal or payment of interest, in an amount corresponding to the part of the bonds that the provisions of Article 212, paragraph (1) or paragraph (1) of the preceding Article establish it is not permissible to assert against the issuer does not have the effect of extinguishing the issuer's obligations in respect of other Book-Entry Transfer Bonds with Share Options of that issue.
- (2) In a case as referred to in the preceding paragraph, a bondholder does not have a duty to return to the issuer the amount of the principal redeemed or interest paid as prescribed in that paragraph.
- (3) If an issuer redeems principal or pays interest as prescribed in paragraph (1), it acquires the rights of a bondholder under the provisions of Article 212, paragraph (2), item (i) or paragraph (2), item (i) of the preceding Article toward the Book-Entry Transfer or Account Management Institution, to the extent of the amount prescribed in the preceding paragraph.

#### **Section 4 Special Provisions of the Companies Act**

(Special Provisions of the Companies Act on the Exercise of Appraisal Rights on Corporate Bonds with Share Options)

Article 215 If a holder of Book-Entry Transfer Bonds with Share Options exercises its appraisal rights on those Book-Entry Transfer Bonds with Share Options pursuant to the provisions of Article 118, paragraphs (1) and (2), Article 777, paragraphs (1) and (2), Article 787, paragraphs (1) and (2) or Article 808, paragraphs (1) and (2) of the Companies Act, the issuer may demand that, in exchange for its paying for the Book-Entry Transfer Bonds with Share Options, the holder file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Bonds with Share Options using the issuer's account as the transferee account.

(Special Provisions of the Companies Act on Issuance of Corporate Bonds with Share Options)

- Article 216 (1) The issuer of Book-Entry Transfer Bonds with Share Options must indicate that the provisions of this Act apply to those Book-Entry Transfer Bond with Share Options in the notice under Article 242, paragraph (1) of the Companies Act that it gives about them.
- (2) Notwithstanding the provisions of Article 249, item (iii) of the Companies Act, a share option register that is for Book-Entry Transfer Bonds with Share Options must include an entry or record indicating the content and number of the share options embedded in the Book-Entry Transfer Bonds and giving an indication that the provisions of this Act apply to them.
- (3) A corporate bond register that is for Book-Entry Transfer Bonds with Share Options must include an entry or record indicating that the provisions of this Act apply to those Book-Entry Transfer Bonds with Share Options.
- (4) A person offering to subscribe for Book-Entry Transfer Bonds with Share Options must mention, in a paper-based document as referred to in Article 242, paragraph (2) of the Companies Act, the account (but not a special account) that has been opened for it in which book entries can be made for those Book-Entry Transfer Bonds with Share Options, or must indicate this account to the issuer of those Book-Entry Transfer Bonds with Share Options when concluding the agreement referred to in Article 244, paragraph (1) of that Act.
- (5) A person seeking to be delivered Book-Entry Transfer Bonds with Share Options pursuant to a request under the main clause of Article 166, paragraph (1) of the Companies Act must indicate to the company delivering the Book-Entry Transfer Bonds with Share Options the account (but not a special account) that has been opened for it in which book entries can be made for those Book-Entry Transfer Bonds with Share Options.

(Special Provisions of the Companies Act on Corporate Bonds with Share Options Subject to Call)

- Article 217 (1) If the issuer of Book-Entry Transfer Bonds with Share Options constituting share options subject to call seeks to acquire part of those Book-Entry Transfer Bonds with Share Options, it must apply for the book-entry transfer of those Book-Entry Transfer Bonds with Share Options without delay after the occurrence of grounds referred to in Article 236, paragraph (1), item (vii), sub-item (a) of the Companies Act, using its own account as the transferee account. In such a case, the application is to be filed with the Immediately Superior Institution of the Participant in whose account (this excludes a customer account) the book-entry transfer will create an entry or record of a reduction.
- (2) Notwithstanding the provisions of Article 275, paragraphs (1) and (2) of the Companies Act, in the case referred to in the first sentence of the preceding paragraph, the issuer acquires the relevant Book-Entry Transfer Bonds with

Share Options at the time that an entry or record is created in the holdings column of its account, based on an application for book-entry transfer as referred to in the first sentence of that paragraph, showing an increase equal to the number of the Book-Entry Transfer Bonds with Share Options.

- (3) If the issuer prescribed in paragraph (1) seeks to acquire all of the Book-Entry Transfer Bonds with Share Options referred to in that paragraph, it must notify the relevant person as referred to in Article 200, paragraph (1) (hereinafter referred to as giving the relevant person "notice of the deletion of all entries or records" in this Chapter) without delay after the occurrence of grounds referred to in Article 236, paragraph (1), item (vii), sub-item (a) of the Companies Act, using that day as the day referred to in Article 200, paragraph (1), item (ii).
- (4) Notwithstanding the provisions of Article 275, paragraphs (1) and (2) of the Companies Act, the issuer acquires the Book-Entry Transfer Bonds with Share Options referred to in the preceding paragraph once the entries or records in respect of those bonds have all been deleted pursuant to a notice of the deletion of all entries or records.

(Notifying All Holders of Corporate Bonds with Share Options)

- Article 218 (1) Once a Book-Entry Transfer Institution effects a deletion as under Article 200, paragraph (3) (including as applied mutatis mutandis pursuant to paragraph (4) of that Article), it must promptly notify the issuer of the names and addresses of the holders of the deleted Book-Entry Transfer Bonds with Share Options, the issue and number of Book-Entry Transfer Bonds with Share Options held thereby, and other information specified by Ordinance of the Competent Ministry (referred to as "information of which the issuer must be notified" in paragraph (5)).
- (2) When notifying the issuer pursuant to the preceding paragraph, a Book-Entry Transfer Institution must notify it that the person prescribed in the relevant of the following items is the holder of the Book-Entry Transfer Bonds with Share Options, for the category of case set forth in the item:
    - (i) if an entry or record has been created for a Book-Entry Transfer Bond with Share Options as referred to in the preceding paragraph under the holdings column of the Participant's account (this excludes a customer account) in the book-entry transfer account register that the Book-Entry Transfer Institution or its Subordinate Institution maintains: the Participant whose account it is;
    - (ii) if an entry or record has been created for a Book-Entry Transfer Bond with Share Options as referred to in the preceding paragraph under the pledge column of the account of a Participant as prescribed in the preceding item: the person that, as the holder of the Book-Entry Transfer Bond with Share

Options, has an entry or record for its name in the pledge column of that Participant's account.

- (3) In a case as referred to in Article 212, paragraph (1) or Article 213, paragraph (1), when a Book-Entry Transfer Institution notifies the relevant person as referred to in paragraph (1), it must indicate the number of Book-Entry Transfer Bonds with Share Options that have been entered or recorded in the Participant account with the Book-Entry Transfer Institution or its Subordinate Institution which it is not possible to assert against the issuer pursuant to the provisions of Article 212, paragraph (1) or Article 213, paragraph (1).
- (4) If asked to do so by its Immediately Superior Institution, an Account Management Institution must promptly report the necessary information for notifying the relevant person as referred to in paragraph (1) (including the information prescribed in the preceding paragraph) with regard to the Book-Entry Transfer Bonds with Share Options that have been entered or recorded in the Participant's account with the Account Management Institution or its Subordinate Institution.
- (5) If there is a legitimate reason for it to do so, an issuer may demand that a Book-Entry Transfer Institution notify it of the information of which the issuer must be notified concerning holders of Book-Entry Transfer Bonds with Share Options as of a fixed date set by the issuer, paying the expense established by the Book-Entry Transfer Institution. In such case, the provisions of each of the preceding paragraphs apply mutatis mutandis.

(Special Provisions of the Companies Act on the Retirement of Share Options Embedded in Corporate Bonds)

- Article 219 (1) If the issuer seeks to retire the share options embedded in its treasury Book-Entry Transfer Bonds, it must apply for their deletion.
- (2) The retirement of Book-Entry Transfer Bonds with Share Options takes effect on the day that an entry or record is created showing a decrease as referred to in Article 199, paragraph (4), item (i).

(Special Provisions of the Companies Act on the Exercise of Share Options Embedded in Corporate Bonds)

- Article 220 A Participant exercising a share option embedded in a Book-Entry Transfer Bond must apply for the deletion of that Book-Entry Transfer Bond with Share Options.

(Voting Rights of Holders of Book-Entry Transfer Bonds with Share Options in the Event of Non-performance of Obligations as Regards Entries or Records of Overages)



Article 221 (1) Notwithstanding Article 723, paragraph (1) of the Companies Act, in a case as referred to in Article 212, paragraph (1) or Article 213, paragraph (1), each holder of Book-Entry Transfer Bonds with Share Options holds voting rights exercisable at a bondholders meeting in proportion to the amount of the corporate bonds associated with the number of Book-Entry Transfer Bonds with Share Options held thereby (other than the sum total of the maximum number ascribable to the book-entry transfer institution and the maximum number ascribable to the account management institution).

(2) In applying the provisions of Article 718, paragraph (1) and Article 736, paragraph (1) of the Companies Act and Article 49, paragraph (1) of the Secured Bonds Trust Act, the holder of Book-Entry Transfer Bonds with Share Options as referred to in Article 212, paragraph (1) or Article 213, paragraph (1) is deemed not to hold the Book-Entry Transfer Bonds with Share Options that correspond to the maximum number ascribable to the book-entry transfer institution and the maximum number ascribable to the account management institution.

(Presentation of Certificates)

Article 222 (1) In order to demand that the relevant person call a bondholders meeting pursuant to the provisions of Article 718, paragraph (1) of the Companies Act; in order to call a bondholders meeting pursuant to the provisions of paragraph (3) of that Article; in order to vote at a bondholders meeting; or in order to inspect the conditions under which collateral under the provisions of Article 49, paragraph (1) of the Secured Bonds Trust Act is stored, the holder of Book-Entry Transfer Bonds with Share Options, after having been issued a paper-based document pursuant to the main clause of paragraph (3), must present that document to the person that each of the following items prescribes for the category of case set forth in the item:

(i) if there is a bond manager: to that bond manager

(ii) if there is a trust company subject to a trust agreement prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act: to that trust company;

(iii) in a case other than as set forth in the preceding two items: to the issuer.

(2) In order for the holder of Book-Entry Transfer Bonds with Share Options to vote at a bondholders meeting, the bondholder must present the paper-based document as under the provisions of the preceding paragraph no later than one week prior to the date of the bondholders meeting and on the day of the meeting.

(3) A holder of Book-Entry Transfer Bonds with Share Options may demand that its Immediately Superior Institution issue a paper-based document certifying the information set forth in the items of Article 194, paragraph (3) with regard

to the Book-Entry Transfer Bonds with Share Options entered or recorded under its own account in the book-entry transfer account register maintained by its Immediately Superior Institution; provided, however, that this does not apply to a person that has already been issued a document under this paragraph with regard to the Book-Entry Transfer Bonds with Share Options and that has not returned that document to its Immediately Superior Institution.

- (4) The holder of Book-Entry Transfer Bonds with Share Options that has been issued a paper-based document pursuant to the main clause of the preceding paragraph may not apply for a book-entry transfer or deletion with respect to the Book-Entry Transfer Bonds with Share Options certified by the document until the bondholder returns that document to the Immediately Superior Institution referred to in that paragraph.

(Special Provisions of the Companies Act on Mergers)

- Article 223 (1) If a surviving or wholly owning company seeks to issue Book-Entry Transfer Bonds with Share Options at the time of an absorption-type merger or share exchange or if an incorporated or wholly owning company seeks to issue Book-Entry Transfer Bonds with Share Options at the time of consolidation-type merger or share transfer, it must notify the relevant person as under the provisions of Article 196, paragraph (1), using the effective date or date of incorporation as the date referred to in item (i) of that paragraph.
- (2) If a surviving or wholly owning company seeks to transfer Book-Entry Transfer Bonds with Share Options at the time of the absorption-type merger or share exchange, it must apply for book entries to be made for the Book-Entry Transfer Bonds with Share Options without delay after the effective date or date of incorporation.
- (3) Before an issuer of Book-Entry Transfer Bonds with Share Options seeks to effect a merger (but only one in which the issuer will be dissolved), absorption-type company split (but only one as prescribed in Article 758, item (v) of the Companies Act), incorporation-type company split (but only one as prescribed in Article 763, item (x) of that Act), share exchange (but only one as prescribed in Article 768, paragraph (1), item (iv) of that Act), or share transfer (but only one as prescribed in Article 773, paragraph (1), item (ix) of that Act), it must give the relevant person notice of the deletion of all entries or records, using the date when the relevant action (hereinafter referred to as the "merger, split, exchange, or transfer" in this Article) takes effect or the incorporation date of the company that is incorporated as a result of the merger, split, exchange, or transfer as the date under Article 200, paragraph (1), item (ii).
- (4) If membership companies merge and the company surviving the absorption-type merger or the company incorporated through the consolidation-type

merger seeks to issue Book-Entry Transfer Bonds with Share Options at the time of the merger, it must specify, in the merger agreement, the accounts (but not special accounts) that have been opened for the members of the membership company in which book entries can be made for Book-Entry Transfer Bonds with Share Options.

- (5) If the company succeeding in an absorption-type company split or the company incorporated in an incorporation-type company split seeks to issue Book-Entry Transfer Bonds with Share Options at the time of the company split, it must specify, in the absorption-type company split agreement or incorporation-type company split plan, the account (but not a special account) that has been opened for the splitting company in which book entries can be made for those Book-Entry Transfer Bonds with Share Options.

(Exclusion from Application)

Article 224 The provisions of Article 257, paragraph (1), Article 259, paragraph (1), Article 260, paragraphs (1) and (2), Article 268, paragraph (1), Article 269, paragraph (1), Article 270, paragraphs (1) to (3) inclusive, Article 272-2, paragraphs (1) to (3) inclusive, Article 681, items (iv) and (v), Article 682, paragraphs (1) to (3) inclusive, Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) to (3) inclusive of the Companies Act do not apply to Book-Entry Transfer Bonds with Share Options.

### **Section 5 Miscellaneous Provisions**

Article 225 (1) Upon being notified as referred to in one of the following items, the Book-Entry Transfer Institution that has been so notified must immediately take measures, using the means prescribed by Cabinet Order, that will enable the Participants to learn the information set forth in that item concerning Book-Entry Transfer Bonds with Share Options of the issue to which the notice pertains:

- (i) upon being notified as referred to in Article 195, paragraph (1): the information set forth in item (ix) of that paragraph;
- (ii) upon being notified as referred to in the first sentence of Article 202, paragraph (1) and paragraph (4), item (ii) or paragraph (5), item (ii) (including as applied mutatis mutandis pursuant to paragraph (6) of that Article): the information set forth in paragraph (3), item (iii) of that Article;
- (iii) upon being notified as referred to in the first sentence of Article 203, paragraph (1) and paragraph (4), item (ii) or paragraph (5), item (ii) (including as applied mutatis mutandis pursuant to paragraph (6) of that

- Article): the information set forth in paragraph (3), item (iv) of that Article.
- (2) The expenses incurred in connection with the measures referred to in the preceding paragraph are borne by the issuer of the Book-Entry Transfer Bonds with Share Options referred to in that paragraph.

## **Chapter X Book-Entry Transfer of Investment Equity**

### **Section 1 Book-Entry Transfer of Investment Equity**

#### (Ownership of Rights)

- Article 226 (1) The ownership of rights from investment equity (meaning investment equity as prescribed in Article 2, paragraph (14) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) handled by a Book-Entry Transfer Institution (hereinafter referred to as "Book-Entry Transfer Investment Equity") is established by the entries or records in a book-entry transfer account register as under this Section.
- (2) The issuer must be acting with the consent of all of the organizers (meaning organizers as prescribed in Article 66, paragraph (1) of the Act on Investment Trusts and Investment Corporations) or in accordance with the decision of the corporate officer (meaning a corporate officer as prescribed in Article 109, paragraph (1) of that Act; the same applies in the following paragraph) to give the consent referred to in Article 13, paragraph (1) with respect to investment equity in the issuer.
- (3) The corporate officer's decision referred to in the preceding paragraph must have the approval of the board of officers (meaning the board of officers prescribed in Article 112 of the Act on Investment Trusts and Investment Corporations).

#### (Non-issuance of the Investment Securities)

- Article 227 (1) Investment securities (meaning investment securities as prescribed in Article 2, paragraph (15) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) may not be issued for Book-Entry Transfer Investment Equity.
- (2) Notwithstanding the preceding paragraph, if a Book-Entry Transfer Institution that handles Book-Entry Transfer Investment Equity has its Article 3, paragraph (1) designation rescinded pursuant to the provisions of Article 22, paragraph (1) or its designation ceases to be effective pursuant to the provisions of Article 41, paragraph (1) and there is no person to succeed to the Book-Entry Transfer Services thereof; or if a Book-Entry Transfer Institution that handles Book-Entry Transfer Investment Equity ceases to handle that Book-Entry Transfer Investment Equity, an investor that holds Book-Entry Transfer Investment Equity (meaning an investor as prescribed in Article 2,

paragraph (16) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) may ask the issuer to issue an investment security.

- (3) If an issuer gives the consent referred to in Article 13, paragraph (1) for investment equity it has already issued, investment securities (other than those subject to public notification proceedings (meaning public notification proceedings prescribed in Article 142 of the Non-Contentious Cases Procedures Act (Act No. 14 of 1898); the same applies hereinafter)) are invalid as of the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the following Article.
- (4) Investment securities subject to public notification proceedings as of the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the following Article are invalid as of the day that an entry or record is created showing an increase as under the provisions of Article 130, paragraph (2) as applied mutatis mutandis pursuant to paragraph (1) of the following Article.

(Mutatis Mutandis Application of Provisions on Shares to Investment Equity)

Article 228 (1) The provisions of Chapter VII (excluding the provisions of Articles 128 and 134, Article 138, paragraph (6), Article 145, paragraph (6), Article 146, paragraph (6), Article 147, paragraph (3), item (iii), Article 150, paragraphs (5) and (6), Articles 156 to 158 inclusive, Article 160, paragraphs (2), (4) and (5) and Article 161; the same applies in the following paragraph) apply mutatis mutandis to investment equity. In such a case, the words or phrases in the left-hand column of the following table are deemed to be replaced with the words or phrases in the right-hand column, except in the cases prescribed in the following paragraph.

number	number of units
registered pledgee of shares	registered pledgee of investment equity
total number	total number of units
number subject to book entry transfer	number of units subject to book entry transfer
shareholder register	investors' register
total issued number	total number of issued units
absorption-type merger or share exchange	absorption-type merger
consolidation-type merger or share transfer	consolidation-type merger
disappearing or wholly owned company	disappearing investment corporation
effective date or date of incorporation	effective date of the merger

aggregate number	total number of units
number in overage	number of units in overage
maximum number ascribable to the account management institution	maximum number of units ascribable to the account management institution
specific notified shareholder	specific notified investor
minority and other shareholders' rights	minority and other investors' rights
business year	business period
special shareholder	special investor
surviving or wholly owning company	surviving investment corporation
incorporated or wholly owning company	incorporated investment corporation

(2) If the provisions of Chapter VII apply mutatis mutandis to investment equity, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 129, paragraph (3), item (ii)	trade name and the class of Book-Entry Transfer Shares, if the issuer is a company with multiple classes of shares (hereinafter referred to as the "issue" in this Chapter);	trade name
Article 130, paragraph (1), item (ii)	registered pledgee of shares as prescribed in Article 152, paragraph (1) of the Companies Act	registered pledgee of investment equity as prescribed in Article 77-3, paragraph (4) of the Act on Investment Trusts and Investment Corporations (other than a pledgee for which an entry or record has been created in the investors' register (meaning the investors' register prescribed in Article 77-3, paragraph (1) of that Act; the same applies hereinafter) pursuant to the provisions of Article 229)
Article 131, paragraph (1)	must notify the person	must issue public notice and notify the person

<p>Article 131, paragraph (1), item (iv)</p>	<p>(iv) other information specified by Ordinance of the Competent Ministry</p>	<p>(iv) that the investment securities (meaning the investment securities prescribed in Article 2, paragraph (15) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) will become invalid as of the fixed date referred to in item (i), if the issuer gives the consent referred to in Article 13, paragraph (1) with regard to investment equity (meaning investment equity as prescribed in Article 2, paragraph (14) of that Act) after the incorporation of the investment corporation; (v) other information specified by Ordinance of the Competent Ministry</p>
<p>Article 131, paragraph (4)</p>	<p>If a company is the issuer of shares that constitute Book-Entry Transfer Shares as referred to in paragraph (1) but has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the Book-Entry Institution with respect to those shares.</p>	<p>An investment corporation must give the consent referred to in Article 13, paragraph (1) to the Book-Entry Transfer Institution with respect to shares of a particular issue as prescribed in paragraph (1) on the fixed date referred to in item (i) of that paragraph.</p>
	<p>referred to in Article 13, paragraph (1)</p>	<p>referred to in Article 13, paragraph (1)</p>

<p>Article 131, paragraph (5)</p>	<p>(5) In the case prescribed in paragraph (1), when the company notifies the relevant party as referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) of which it is notified by the shareholder or registered pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if it has not been so notified) as the account referred to in paragraph (1), item (iii) of the preceding Article.x</p>	<p>(5) In the case prescribed in paragraph (1), when the company notifies the relevant party as referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) of which it is notified by the shareholder or registered pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if it has not been so notified) as the account referred to in paragraph (1), item (iii) of the preceding Article.</p> <p>(6) Notwithstanding the provisions of paragraph (1), if an investment corporation that has not issued investment securities for all investment equity delivers Book-Entry Transfer Investment Equity of the relevant issue (meaning Book-Entry Transfer Investment Equity as prescribed in Article 226, paragraph (1)) it is sufficient for it to notify the investors and registered pledgees of investment equity of the information set forth in the items of paragraph (1) by one month prior to the fixed date referred to in item (i) of that paragraph.</p> <p>(7) The relevant person may issue a public notice in lieu of notifying the relevant persons as under the preceding paragraph</p>
<p>Article 137, paragraph (1), item (iii)</p>	<p>Article 124, paragraph (1) of the Companies Act</p>	<p>Article 77-3, paragraph (2) of the Act on Investment Trusts and Investment Corporations</p>



Article 138, paragraph (1)	of a company disappearing in a merger or of a company effecting a share exchange or share transfer (hereinafter referred to as a "disappearing or wholly owned company" in this Chapter through Chapter IX)	of an investment corporation disappearing in a merger (hereinafter referred to as a "Disappearing Investment Company")
	surviving or wholly owning company [...] incorporated or wholly owning company	investment corporation surviving the absorption-type merger (hereinafter referred to as the "Surviving Investment Corporation") [...] investment corporation incorporated in the a consolidation-type merger (hereinafter referred to as the "Incorporated Investment Corporation")
	effective date or date of incorporation	the effective date of the merger (meaning the effective date referred to in Article 147, paragraph (1), item (iv) of the Act on Investment Trusts and Investment Corporations in the case of an absorption-type merger and the date of incorporation referred to in Article 148-2, paragraph (1) of that Act in the case of a consolidation-type merger)
Article 145, paragraph (1)	retired	refunded
Article 147, paragraph (3)	Article 124, paragraph (1) of the Companies Act	Article 77-3, paragraph (2) of the Act on Investment Trusts and Investment Corporations
Article 147, paragraph (3), item (iv)	in a the case as prescribed in the preceding item	as applied mutatis mutandis pursuant to Article 94, paragraph (1) of the Act on Investment Trusts and Investment Corporations following the deemed replacement of terms, if the issuer has fixed the record date only so as to establish which persons will vote

Article 147, paragraph (4) and the table of Article 148, paragraph (3)	Article 124, paragraph (1) of the Companies Act	Article 77-3, paragraph (2) of the Act on Investment Trusts and Investment Corporations
Article 149, paragraph (1)	its payment of dividends of surplus	its delivery of proceeds (meaning proceeds as prescribed in Article 88, paragraph (1) of the Act on Investment Trusts and Investment Corporations; hereinafter the same applies in this Article), refund of investment equity (meaning a refund of investment equity as prescribed in Article 124, paragraph (1) of that Act; hereinafter the same applies in this Article) or distribution of monies (meaning a distribution of monies prescribed in Article 137, paragraph (1) of that Act; hereinafter the same applies in this Article)
	of that issue	of that issue, nor does it have the effect of reducing the number of units that may be asserted against the issuer
Article 149, paragraphs (2) and (3)	pays a dividend of surplus	delivers proceeds, refunds investment equity or distributes monies
Article 150, paragraph (1)	incorporator	organizer (meaning the organizer prescribed in Article 66, paragraph (1) of the Act on Investment Trusts and Investment Corporations)
	Article 32, paragraph (1) of the Companies Act	Article 70-2, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 150, paragraph (2)	Article 59, paragraph (1) or Article 203, paragraph (1) of the Companies Act	Article 71, paragraph (1) or Article 83, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 150, paragraph (4)	Article 203, paragraph (2) of the Companies Act	Article 83, paragraph (3) of the Act on Investment Trusts and Investment Corporations
	Article 205 of that Act	Article 205 of the Companies Act as applied mutatis mutandis pursuant to paragraph (9) of that Article

Article 151, paragraph (1), item (iv)	consists of a full year (unless the issuer has fixed a record date for an interim dividend as prescribed in Article 454, paragraph (5) of the Companies Act):	consists of a full year:
Article 152, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 79, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 153	fractional shares	fractional units of investment equity
	against the issuer, or if shareholders come to hold partial share units,	against the issuer,
	is entitled to votes in respect of those fractional shares or partial share units, amounting to the number arrived at when the number of fractional shares or the number of partial share units is divided by the number of share units (with any number	is entitled to a fractional number of votes in respect of those fractional shares (with any number
Article 154, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 79, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 155	Article 116, paragraph (1), Article 192, paragraph (1), Article 469, paragraph (1), Article 785, paragraph (1), Article 797, paragraph (1) or Article 806, paragraph (1) of the Companies Act	Article 141, paragraph (1), Article 149-3, paragraph (1), Article 149-8, paragraph (1) or Article 149-13, paragraph (1) of the Act on Investment Trusts and Investment Corporations
Article 159, paragraph (1)	share whose certificate has been registered as lost	investment securities subject to public notification proceedings (meaning the public notification proceedings as prescribed in Article 142 of the Non-Contentious Cases Procedures Act) as of the fixed date referred to in Article 131, paragraph (1), item (i)

	, until the day the registration is deleted (meaning the day the registration is deleted as prescribed in Article 230, paragraph (1) of the Companies Act; hereinafter the same applies in this Article).	.
Article 159, paragraph (2)	on the day the registration is deleted	without delay upon receipt of a request accompanied by an authenticated copy or certified copy of a decision on a right to separate satisfaction involving the investment securities referred to in that paragraph and other documents specified by Ordinance of the Competent Ministry
	the registered holder (meaning a registered holder as prescribed in Article 221, item (iii) of the Companies Act) that is the registrant of a lost share certificate (meaning the registrant of a lost share certificate as prescribed in Article 224, paragraph (1) of that Act) or other person specified by Ordinance of the Competent Ministry	the person making the relevant request
	registered holder or similar person	requester
	by the day the registration is deleted	by the date the person has so requested
Article 159, paragraph (3), item (i)	registered holder or similar person	requester
Article 160, paragraph (1)	, or if the company disappearing in a merger is a membership company and	and
Article 160, paragraph (3)	; or if the surviving or wholly owning company or incorporated or wholly owning company is not a stock company;	,

(Special Provisions for When Previously Issued Investment Equity Becomes

Book-Entry Transfer Investment Equity)

Article 229 After the incorporation of an investment corporation and before the issuer gives the consent referred to in Article 13, paragraph (1) with regard to investment equity, the pledgee of that investment equity (other than the registered pledgee of investment equity (meaning one as prescribed in Article 77-3, paragraph (4) of the Act on Investment Trusts and Investment Corporations)) may demand that the issuer create an entry or record of the information set forth in each item of Article 148 of the Companies Act as applied mutatis mutandis pursuant to Article 79, paragraph (4) of the Act on Investment Trusts and Investment Corporations in the investors register (meaning the investors register as prescribed in Article 77-3, paragraph (1) of the Act on Investment Trusts and Investment Corporations) by the day before the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article.

(Creating Entries or Records for Refunds of Book-Entry Transfer Investment Equity)

- Article 230 (1) A Participant seeking a refund of Book-Entry Transfer Investment Equity of a particular issue (meaning a refund of investment equity as prescribed in Article 124, paragraph (1) of the Act on Investment Trusts and Investment Corporations; hereinafter the same applies in this Article) must apply for its deletion. In such a case, the application is something that the Participant in whose account (other than a customer account (meaning a customer account as prescribed in Article 129, paragraph (2), item (ii) as applied mutatis mutandis pursuant to Article 228, paragraph (1); hereinafter the same applies in this Article)) the reduction resulting from the deletion will be entered or recorded is to file with its Immediately Superior Institution.
- (2) On receiving an application as referred to in the first sentence of the preceding paragraph, a Book-Entry Transfer or Account Management Institution, pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in the application pursuant to the provisions of the following paragraph, must enter or record the reduction in the Book-Entry Transfer Investment Equity to which the application pertains in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (3) A Participant filing an application as referred to in the first sentence of paragraph (1) (hereinafter referred to as the "applicant" in this Article) must indicate the following information in that application:
- (i) the issue and number of units of Book-Entry Transfer Investment Equity for which an entry or record showing a reduction will need to be created when the deletion is effected;
  - (ii) whether the reduction will be entered or recorded in the holdings column

- (meaning the holdings column prescribed in Article 130, paragraph (2), item (i), sub-item (a) as applied mutatis mutandis pursuant to Article 228, paragraph (1); hereinafter the same applies in this Article) or the pledge column (meaning the pledge column prescribed in Article 130, paragraph (2), item (i), sub-item (b) as applied mutatis mutandis pursuant to Article 228, paragraph (1); hereinafter the same applies in this Article) of the applicant's account;
- (iii) the names and addresses of the investors in Book-Entry Transfer Investment Equity in connection with which the entry or record showing the reduction will need to be created, if the entry or record showing the reduction will be created in the pledge column of the applicant's account, and the number of units as referred to in item (i) ascribable to each investor.
- (4) Upon receipt of an application as referred to in the first sentence of paragraph (1), the Book-Entry Transfer or Account Management Institution receiving it must take the following measures without delay:
- (i) create the following entries or records in the holdings column or the pledge column of the applicant's account, as indicated pursuant to the provisions of item (ii) of the preceding paragraph:
- (a) an entry or record showing a reduction equal to the number of units under item (i) of the preceding paragraph;
- (b) an entry or record showing a reduction equal to the number of units ascribable to each investor as referred to in item (iii) of the preceding paragraph, if the entry or record showing the reduction referred to in sub-item (a) is created in the pledge column.
- (ii) notify the Immediately Superior Institution of the information indicated pursuant to the provisions of item (i) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the number of units under paragraph (3), item (i) in the customer account subdivision under the account of the Account Management Institution that has notified it;
- (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer or Account Management Institution that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis

mutandis pursuant to this paragraph), once it has been so notified.

- (7) The issuer may demand that, in exchange for the issuer refunding Book-Entry Transfer Investment Equity, an investor file an application with its Immediately Superior Institution to enter a deletion for the Book-Entry Transfer Investment Equity of that issue which appears on its account, deleting the same number of units from the account as the number of units of Book-Entry Transfer Investment Equity that are being refunded.

(Special Provisions of the Act on Investment Trusts and Investment Corporations Deeming Book-Entry Transfer Investment Equity to Be Investment Securities)

Article 231 In applying the provisions of Article 196, paragraphs (1) and (2), Article 197 and Article 219 of the Act on Investment Trusts and Investment Corporations which regard Book-Entry Transfer Investment Equity, Book-Entry Transfer Investment Equity is deemed to be investment securities as prescribed in that Act which are among the investment securities, etc. prescribed in that Act.

(Special Provisions of the Act on Investment Trusts and Investment Corporations concerning the Consolidation of Book-Entry Transfer Investment Equity)

- Article 232 (1) Before merging Book-Entry Transfer Investment Equity pursuant to the provisions of Article 81-2, paragraph (1) of the Act on Investment Trusts and Investment Corporations, the issuer must issue public notice of the information set forth in Article 180, paragraph (2), items (i) and (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 81-2, paragraph (2) of the Act on Investment Trusts and Investment Corporations by two week prior to the date prescribed in those items of the Companies Act.
- (2) In a case as prescribed in the preceding paragraph, the merger of investment equity takes effect on the day referred to in Article 180, paragraph (2), item (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 81-2, paragraph (2) of the Act on Investment Trusts and Investment Corporations.

(Exclusion of Book-Entry Transfer Investment Equity from Application of the Act on Investment Trusts and Investment Corporations)

Article 233 (1) The provisions of Article 132, paragraph (1), items (ii) and (iii) and paragraphs (2) and (3) and Article 133 of the Companies Act as applied mutatis mutandis pursuant to Article 79, paragraph (3) of the Act on Investment Trusts and Investment Corporations and the provisions of Article 148 of the Companies Act as applied mutatis mutandis pursuant to Article 79, paragraph (4) of the Act on Investment Trusts and Investment Corporations do

not apply to Book-Entry Transfer Investment Equity.

- (2) Notwithstanding the provisions of Article 149-2, paragraph (2), Article 149-3, paragraph (2), Article 149-8, paragraph (2), Article 149-12, paragraph (2) and Article 149-13, paragraph (2) of the Act on Investment Trusts and Investment Corporations, in lieu of notifying the relevant persons as under those provisions, the investment corporation issuing the Book-Entry Transfer Investment Equity must issue public notice of the information of which it is required to notify those persons.
- (3) In applying the provisions of Article 146, paragraphs (1) and (3) of the Act on Investment Trusts and Investment Corporations in case of suspension of refund of Book-Entry Transfer Investment Equity, the words in the paragraph (1) of that Article "give public notice of ... or ...by giving separate notice to each of the Investors" is deemed to be replaced with "giving public notice" and in the paragraph (3) of that Article "public notice or notice" is deemed to be replaced with "public notice".

## **Section 2 Book-Entry Transfer of Preferred Equity Investments in Cooperative Financial Institutions**

(Ownership of Rights)

- Article 234 (1) The ownership of rights from preferred equity investment (meaning preferred equity investment as prescribed in Article 4, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions; hereinafter the same applies in this Section) in a cooperative financial institution whose articles of incorporation do not set forth that it issues preferred equity investment certificates (meaning preferred equity investment certificates as prescribed in Article 29, paragraph (1) of that Act), which is handled by a Book-Entry Transfer Institution (hereinafter referred to as "book-entry transfer preferred equity investment" in this Section) is established by the entries or records in a book-entry transfer account register as under this Section.
- (2) The issuer must be acting in accordance with the decision of the director (meaning a director as prescribed in Article 2, paragraph (7) of the Act on Preferred Equity Investment by Cooperative Financial Institutions) to give the consent referred to in Article 13, paragraph (1) with regard to preferred equity investment therein.

(Mutatis Mutandis Application of Provisions on Shares to Preferred Equity Investment)

- Article 235 (1) The provisions of Chapter VII (excluding the provisions of Articles 128 and 136, Article 145, paragraph (6), Article 146, paragraph (6),



Article 147, paragraph (3), item (iii), Article 150, paragraphs (1), (5) and (6), Article 151, paragraph (1), item (ii), Article 155 to 157 inclusive, Article 160, paragraphs (4) and (5) and Article 161; the same applies in the following paragraph) apply mutatis mutandis to the preferred equity investment. In such a case, the words or phrases in the left-hand column of the following table are deemed to be replaced with the words or phrases in the right-hand column, except in the cases prescribed in the following paragraph.

number	number of units
registered pledgee of shares	registered pledgee of preferred equity investment
total number	total number of units
number subject to book entry transfer	number of units subject to book entry transfer
shareholder register	preferred equity investors register
total issued number	total number of issued units
absorption-type merger or share exchange	absorption-type merger
consolidation-type merger or share transfer	consolidation-type merger
disappearing or wholly owned company	disappearing cooperative financial institution
effective date or date of incorporation	effective date of the merger
surviving or wholly owning company	surviving cooperative financial institution
aggregate number	aggregate number of units
number in overage	number of units in overage
maximum number ascribable to the account management institution	maximum number of units ascribable to the account management institution
specific notified shareholder	specific notified preferred equity investor
minority and other shareholders' rights	minority and other preferred equity investors' rights
special shareholder	special preferred equity investor
registrant of a lost share certificate	registrant of a lost preferred equity investment certificate
incorporated or wholly owning company	incorporated cooperative structured financial institution

(2) If the provisions of Chapter VII apply mutatis mutandis to preferred equity investment, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 129, paragraph (3), item (ii)	trade name	name
	company with classes of shares	cooperative financial institution with classes of preferred equity investment(meaning a cooperative structured financial institution with classes of preferred equity investment as prescribed in Article 8, paragraph (1), item (i) of the Act on Preferred Equity Investment by Cooperative Financial Institutions)
Article 130, paragraph (1)	after the incorporation of the company	after the issuance of preferred equity investment (meaning preferred equity investment as prescribed in Article 4, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions; the same applies hereinafter)
	consent after incorporation	consent after issuance
Article 130, paragraph (1), item (ii)	registered pledgee of shares as prescribed in Article 152, paragraph (1) of the Companies Act	registered pledgee of preferred equity investment prescribed in Article 149, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 27, paragraph (3) of the Act on Preferred Equity Investment by Cooperative Financial Institutions following the deemed replacement of terms (excluding a pledgee for which an entry or record has been created in the preferred equity investors register (meaning the preferred equity investors register as prescribed in Article 25, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions; the same applies hereinafter) pursuant to the provisions of Article 218, paragraph (5) of the Companies Act as applied mutatis mutandis pursuant to Article 31, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions)

Article 131, paragraph (1)	at the time of a consolidation-type merger	at the time of a consolidation-type merger (other than a merger as prescribed in Article 3, paragraph (1), items (ii) to (vi) inclusive of the Act on Mergers and Conversions of Financial Institutions (Act No. 86 of 1968); the same applies hereinafter)
Article 137, paragraph (1), item (iii)	the record date for the share split (meaning the record date as prescribed in Article 124, paragraph (1) of the Companies Act; hereinafter the same applies in this Chapter)	the fixed date for the share split (meaning a fixed date as prescribed in Article 16, paragraph (2), item (i) of the Act on Preferred Equity Investment by Cooperative Financial Institutions; hereinafter the same applies in this Article)
Article 137, paragraph (3)	record date	fixed date
Article 138, paragraph (1)	of a company disappearing in a merger or of a company effecting a share exchange or share transfer (hereinafter referred to as a "disappearing or wholly owned company" in this Chapter through Chapter IX)	of a cooperative financial institution disappearing in a merger (hereinafter referred to as a "Disappearing Cooperative Financial Institution")
	surviving or wholly owning company [...] incorporated or wholly owning company	surviving cooperative financial institution surviving the absorption-type merger (other than a merger as under Article 3, paragraph (1), items (ii) to (vi) inclusive of the Act on Mergers and Conversions of Financial Institutions; the same applies hereinafter) (hereinafter referred to as the "Surviving Cooperative Financial Institution") [...] cooperative financial institution incorporated in the consolidation-type merger (hereinafter referred to as the "Incorporated Cooperative Financial Institution")

Article 147, paragraph (3), item (iv)	shares held by a shareholder specified by Ordinance of Ministry of Justice which is as prescribed in Article 308, paragraph (1) of the Companies Act, in a case as prescribed in the preceding item.	preferred equity investment as prescribed in Article 33, paragraph (3) of Act on Preferred Equity Investment by Cooperative Financial Institutions, if the issuer has fixed the record date (meaning a record date as prescribed in Article 124, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 26 of the Act on Preferred Equity Investment by Cooperative Financial Institutions; the same applies hereinafter) only so as to establish which persons will vote
Article 149, paragraph (1)	its payment of dividends of surplus	its payment of preferred dividends (meaning preferred dividends as prescribed in Article 5, paragraph (1), item (ii) of the Act on Preferred Equity Investment by Cooperative Financial Institutions; hereinafter the same applies in this Article), delivery of the proceeds (meaning proceeds as provided in the part of Article 234, paragraph (1) of the Companies Act other than as listed in the items thereof, as applied mutatis mutandis pursuant to Article 16, paragraph (7) of the Act on Preferred Equity Investment by Cooperative Financial Institutions; the same applies in this Article) or payment of dividends of surplus (meaning a dividend of surplus as prescribed in Article 19, paragraph (11) of the Act on Preferred Equity Investment by Cooperative Financial Institutions; hereinafter the same applies in this Article)
Article 149, paragraphs (2) and (3)	pays a dividend of surplus	pays a preferred dividend, delivers proceeds or pays a dividend of surplus
Article 150, paragraph (2)	Article 59, paragraph (1) or Article 203, paragraph (1) of the Companies Act	Article 9, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions
Article 150, paragraph (4)	Article 203, paragraph (2) of the Companies Act	Article 9, paragraph (2) of the Act on Preferred Equity Investment by Cooperative Financial Institutions
	Article 205	Article 10, paragraph (4)

Article 151, paragraph (1), item (iv)	consists of a full year (unless the issuer has fixed a record date for an interim dividend as prescribed in Article 454, paragraph (5) of the Companies Act):	consists of a full year:
Article 151, paragraph (7)	paragraph (1), items (i), (ii)	paragraph (1), item (i)
Article 152, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 24, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions
Article 153	fractional shares	fractional units of preferred equity investment
	against the issuer, or if shareholders come to hold partial share units,	against the issuer,
	Article 308, paragraph (1) of the Companies Act	Article 33, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions
	is entitled to votes in respect of those fractional shares or partial share units, amounting to the number arrived at when the number of fractional shares or the number of partial share units is divided by the number of share units (with any number	is entitled to a fractional number of votes in respect of those fractional shares (with any number
Article 154, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 24, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions

Article 159, paragraph (1)	registration of a lost share certificate	registration of a lost preferred equity investment certificate (meaning the registration of a lost preferred equity investment certificate as referred to in Article 223 of the Companies Act as applied mutatis mutandis pursuant to Article 31, paragraph (2) of the Act on Preferred Equity Investment by Cooperative Financial Institutions following the deemed replacement of terms)
Article 160, paragraph (1)	, or if the company disappearing in a merger is a membership company and	and
Article 160, paragraph (3)	; or if the surviving or wholly owning company or incorporated or wholly owning company is not a stock company;	,

(Exclusion of Book-Entry Transfer Preferred Equity Investment from Application of the Act on Preferred Equity Investment by Cooperative Financial Institutions)

Article 236 (1) The provisions of Article 122, paragraphs (1) to (3) inclusive, Article 132, paragraph (1), items (ii) and (iii) and paragraph (3), Article 133 and Article 154-2, paragraphs (1) to (3) inclusive of the Companies Act as applied mutatis mutandis pursuant to Article 26 of the Act on Preferred Equity Investment by Cooperative Financial Institutions and Article 147, paragraph (1), Article 148 and Article 152, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 27, paragraph (3) of the Act on Preferred Equity Investment by Cooperative Financial Institutions do not apply to book-entry transfer preferred equity investment.

(2) Notwithstanding the provisions of Article 7, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions, in lieu of notifying the relevant persons as under those provisions, the cooperative financial institution issuing the book-entry transfer preferred equity investment must issue public notice of the information of which it is required to notify those persons.

(3) In applying the provisions of Article 24, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Financial Institutions to the transfer of the book-entry transfer preferred equity investment, the phrase "cooperative

financial institution and other third parties" in that paragraph is deemed to be replaced with "cooperative financial institution".

### **Section 3 Book Entry Transfer of Preferred Equity Investment in Special Purpose Companies**

(Ownership of Rights)

- Article 237 (1) The ownership of rights from preferred equity investment (meaning preferred equity investment as prescribed in Article 2, paragraph (5) of the Act on Securitization of Assets; hereinafter the same applies in this Chapter) in a special purpose company which is handled by a Book-Entry Transfer Institution (hereinafter referred to as "book-entry transfer preferred equity investment" in this Chapter) is established by the entries or records in a book-entry transfer account register as under this Section.
- (2) The issuer must be acting in accordance with the decision of the director (or a decision by the majority of the directors, if the company has more than one director) to give the consent referred to in Article 13, paragraph (1) as regards preferred equity investment in the issuer.

(Non-issuance of Preferred Equity Investment Certificates)

- Article 238 (1) Preferred equity investment certificates (meaning preferred equity investment certificates as prescribed in Article 2, paragraph (9) of the Act on Securitization of Assets; the same applies hereinafter) may not be issued for book-entry transfer preferred equity investment.
- (2) Notwithstanding the preceding paragraph, if a Book-Entry Transfer Institution that handles book-entry transfer preferred equity investment has its Article 3, paragraph (1) designation rescinded pursuant to the provisions of Article 22, paragraph (1) or its designation ceases to be effective pursuant to the provisions of Article 41, paragraph (1), and there is no person to succeed to the Book-Entry Transfer Services thereof; or if a Book-Entry Transfer Institution that handles book-entry transfer preferred equity investment ceases to handle that book-entry transfer preferred equity investment, a preferred equity partner holding book-entry transfer preferred equity investment (meaning a preferred equity partner as prescribed in Article 26 of the Act on Securitization of Assets; the same applies hereinafter) may ask the issuer to issue a preferred-equity-investment certificate.
- (3) If an issuer gives its consent as referred to in Article 13, paragraph (1) for preferred equity investment it has already issued, preferred equity investment certificates (other than those subject to public notification proceedings) are invalid as of the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the following Article.

(4) Preferred equity investment certificates subject to public notification proceedings as of the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to paragraph (1) of the following Article are invalid as of the day that an entry or record is created showing an increase as under the provisions of Article 130, paragraph (2) as applied mutatis mutandis pursuant to paragraph (1) of the following Article.

(Mutatis Mutandis Application of Provisions on Shares to Preferred Equity Investment)

Article 239 (1) The provisions of Chapter VII (excluding the provisions of Article 128, Article 131, paragraph (2), Articles 134, 135, 137 and 138, Article 145, paragraph (6), Article 146, paragraph (6), Article 147, paragraph (3), item (iii), Article 150, paragraph (1), Article 151, paragraph (1), item (iii), Articles 156 to 158 inclusive, Articles 160 and 161 and Article 162, paragraph (1), item (ii); the same applies in the following paragraph) apply mutatis mutandis to preferred equity investment. In such a case, the words or phrases in the left-hand column of the following table are deemed to be replaced with the words or phrases in the right-hand column, except in the cases prescribed in the following paragraph.

number	number of units
registered pledgee of shares	registered pledgee of preferred equity investment
total number	total number of units
number subject to book entry transfer	number of units subject to book entry transfer
shareholder register	preferred equity partner register
total issued number	total number of issued units issued
aggregate number	aggregate number of units
number in overage	number of units in overage
maximum number ascribable to the account management institution	maximum number of units ascribable to the account management institution
specific notified shareholder	specific notified preferred equity partner
minority and other shareholders' rights	minority and other preferred equity partners' rights
special shareholder	special preferred equity partner

(2) If the provisions of Chapter VII apply mutatis mutandis to preferred equity investment, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.



Article 129, paragraph (3), item (ii)	company with classes of shares	special purpose company issuing multiple classes of preferred equity investment (meaning preferred equity investment as prescribed in Article 2, paragraph (5) of the Act on Securitization of Assets; the same applies hereinafter)
Article 130, paragraph (1)	after the incorporation of the company	after the issuance of preferred equity investment
	consent after incorporation	consent after issuance
Article 130, paragraph (1), item (ii)	registered pledgee of shares as prescribed in Article 152, paragraph (1) of the Companies Act	registered pledgee of preferred equity investment as prescribed in Article 43, paragraph (4) of the Act on Securitization of Assets (excluding a pledgee for which an entry or record has been created in the preferred equity partners register (meaning the preferred equity partners register prescribed in Article 43, paragraph (1) of that Act; the same applies hereinafter) pursuant to the provisions of Article 244)
Article 131, paragraph (1)	seeks to deliver Book-Entry Shares of a particular issue but is unable to find an account that has been opened for the holder or registered pledgee of the Book-Entry Transfer Shares it seeks to deliver in which book entries can be made for Book-Entry Shares,	seeks to give the consent referred to in Article 13, paragraph (1) for the particular class of preferred equity investment already issued,

	(or the person specified by Ordinance of the Competent Ministry as being equivalent to such a company, if it is delivering Book-Entry Transfer Shares at the time of a consolidation-type merger or in any other case specified by Ordinance of the Competent Ministry; hereinafter	hereinafter
	of the following information	that the preferred equity investment certificates (meaning the preferred equity investment certificates prescribed in Article 2, paragraph (9) of the Act on Securitization of Assets; the same applies hereinafter) become invalid as of the fixed date referred to in item (i) and give the following information
	item (i)	that item
	must notify	must issue public notice and notify
	the person that Ordinance of the Competent Ministry prescribes as the one that will become the holder or registered pledgee of those Book-Entry Transfer Shares,	the holders and the registered pledgees of preferred equity investment,
Article 131, paragraph (1), item (i)	Book-Entry Transfer Shares	preferred equity investment
	or apply for a book entry transfer to be made for the holder	as regards the holder

<p>Article 131, paragraph (4)</p>	<p>If a company is the issuer of shares that constitute Book-Entry Transfer Shares as referred to in paragraph (1) but has not given the consent referred to in Article 13, paragraph (1) by the fixed date referred to in paragraph (1), item (i), it must promptly give the consent referred to in Article 13, paragraph (1) to the Book-Entry Transfer Institution with respect to those shares.</p>	<p>A special purpose company must give the consent referred to in Article 13, paragraph (1) to the Book-Entry Transfer Institution with respect to preferred equity investment of a particular type as prescribed in paragraph (1) on the fixed date referred to in item (i) of that paragraph.</p>
	<p>referred to in Article 13, paragraph (1)</p>	<p>referred to in Article 13, paragraph (1)</p>
<p>Article 131, paragraph (5)</p>	<p>(5) In the case prescribed in paragraph (1), when the company notifies the relevant party as referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) of which it is notified by the shareholder or registered pledgee referred to in paragraph (1), item (i) (or the special account that the company has requested be opened, if it has not been so notified) as the account referred to in paragraph (1), item (iii) of the preceding Article.</p>	<p>(5) In the case prescribed in paragraph (1), when the special purpose company notifies the relevant party as referred to in paragraph (1) of the preceding Article, it must use the account referred to in paragraph (1), item (ii) of which it is notified by the preferred equity partner referred to in paragraph (1), item (i) (meaning a preferred equity partner as prescribed in Article 26 of the Act on Securitization of Assets; the same applies hereinafter) or by the registered pledgee of preferred equity investment (or the special account that the special purpose company has requested be opened, if it has not been so notified) as the account referred to in paragraph (1), item (iii) of the preceding Article.</p>

		<p>(6) Notwithstanding the provisions of paragraph (1), if a special purpose company that has not issued preferred equity investment for all preferred equity investment seeks to give the consent referred to in Article 13, paragraph (1), it is sufficient for it to notify the preferred equity partners and registered pledgees of preferred equity investment of the information set forth in the items of paragraph (1) by one month prior to the fixed date referred to in item (i) of that paragraph.</p> <p>(7) The relevant person may issue a public notice in lieu of notifying the relevant persons as under the preceding paragraph.</p>
Article 133, paragraph (2)	before the notice or application	before the notice
	after the notice referred to in Article 130, paragraph (1), or an application for a book entry transfer	after the notice referred to in Article 130, paragraph (1)
Article 136, paragraph (3)	under the holdings and pledge columns of the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Share Options	under in the account of the book-entry transfer account register that it maintains under which entries or records have been created for such book-entry transfer preferred equity investment (for accounts other than the Institution-Held Account or a customer account, this means the holdings column or the pledge column; hereinafter referred to as a "holdings or pledge column" in this Chapter)
Article 147, paragraph (3)	Article 124, paragraph (1) of the Companies Act	Article 43, paragraph (2) of the Act on Securitization of Assets

Article 147, paragraph (3), item (iv)	shares held by a shareholder specified by Ordinance of Ministry of Justice which is as prescribed in Article 308, paragraph (1) of the Companies Act, in a case as prescribed in the preceding item.	preferred equity investment held by a partner specified by Cabinet Office Ordinance as prescribed in Article 59, paragraph (1) of the Act on Securitization of Assets, if the issuer has fixed the record date (meaning a record date as prescribed in Article 43, paragraph (2) of that Act; the same applies hereinafter) only so as to establish which persons will vote
Article 147, paragraph (4) and the table of Article 148, paragraph (3)	Article 124, paragraph (1) of the Companies Act	Article 43, paragraph (2) of the Act on Securitization of Assets
Article 149, paragraph (1)	its payment of dividends of surplus	its delivery of proceeds as prescribed in Article 235, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 50, paragraph (3) of the Act on Securitization of Assets, payment of a refund linked to a reduction in the amount of preferred capital (meaning the amount of preferred capital as prescribed in Article 42, paragraph (1), item (i) of the Act on Securitization of Assets), distribution of profits, or payment of interim dividends as prescribed in Article 115, paragraph (1) of the Act on Securitization of Assets (hereinafter referred to collectively as the delivery of "proceeds or other payment" in this Article)
Article 149, paragraph (2)	the dividend of surplus referred to in that paragraph	proceeds or other payment
Article 149, paragraph (3)	dividend of surplus referred to in paragraph (1)	proceeds or other payment
Article 150, paragraph (2)	Article 59, paragraph (1) or Article 203, paragraph (1) of the Companies Act	Article 40, paragraph (1) of the Act on Securitization of Assets

Article 150, paragraph (4)	Article 203, paragraph (2) of the Companies Act	Article 40, paragraph (2) of the Act on Securitization of Assets
	Article 205	Article 41, paragraph (2)
Article 150, paragraph (5)	share options (but only those with Book-Entry Transfer Shares underlying them)	convertible specified corporate bonds (meaning convertible specified corporate bonds as prescribed in Article 131, paragraph (1) of the Act on Securitization of assets, but only those whose conversion results in the issuance of book-entry transfer preferred equity investment (meaning book-entry transfer preferred equity investment as prescribed in Article 237, paragraph (1); hereinafter the same applies); hereinafter the same applies) or specified corporate bonds with subscription rights for new preferred equity investment (meaning subscription rights for new preferred equity investment as prescribed in Article 139, paragraph (2) of that Act, and limited to rights whose exercise results in the issuance of preferred equity investment that constitutes book-entry transfer preferred equity investment; hereinafter the same applies) (meaning specified corporate bonds with subscription rights for new preferred equity investment as prescribed in paragraph (1) of that Article; hereinafter the same applies)
	with regard to those share options	with regard to those convertible specified corporate bonds or those specified corporate bonds with subscription rights for new preferred equity investment
	Article 242, paragraph (1) of the Companies Act	Article 122, paragraph (1) of that Act

	the Book-Entry Transfer Shares underlying those share options	the book-entry transfer preferred equity investment issued upon conversion of those convertible specified corporate bonds or the preferred equity investment issued upon exercise of the subscription rights for new preferred equity investment
Article 150, paragraph (6)	If the shares underlying a share option are Book-Entry Transfer Shares, the person exercising the share option	A person requesting the conversion of convertible specified corporate bonds or exercising subscription rights for new preferred equity investment
Article 151, paragraph (1), item (iv)	Article 454, paragraph (5) of the Companies Act	Article 115, paragraph (1) of the Act on Securitization of Assets
Article 152, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 45, paragraph (1) of the Act on Securitization of Assets
Article 153	fractional shares	fractional units of preferred equity investment
	against the issuer, or if shareholders come to hold partial share units,	against the issuer,
	Article 308, paragraph (1) of the Companies Act	Article 59, paragraph (1) of the Act on Securitization of Assets
	is entitled to votes in respect of those fractional shares or partial share units, amounting to the number arrived at when the number of fractional shares or the number of partial share units is divided by the number of share units (with any number	is entitled to a fractional number of votes in respect of those fractional shares (with any number
Article 154, paragraph (1)	Article 130, paragraph (1) of the Companies Act	Article 45, paragraph (1) of the Act on Securitization of Assets
Article 155	Article 116, paragraph (1), Article 192, paragraph (1), Article 469, paragraph (1), Article 785, paragraph (1), Article 797, paragraph (1) or Article 806, paragraph (1) of the Companies Act	Article 153, paragraph (1) of the Act on Securitization of Assets

Article 159, paragraph (1)	share whose certificate has been registered as lost	preferred equity investment certificates subject to public notification proceedings (meaning public notification proceedings as prescribed in Article 142 of the Non-Contentious Cases Procedures Act) as of the fixed date referred to in Article 131, paragraph (1), item (i)
	, until the day the registration is deleted (meaning the day the registration is deleted as prescribed in Article 230, paragraph (1) of the Companies Act; hereinafter the same applies in this Article).	.
Article 159, paragraph (2)	on the day the registration is deleted	without delay upon receipt of a request accompanied by an authenticated copy or certified copy of a decision on a right to separate satisfaction involving the preferred equity investment certificates referred to in that paragraph and other documents specified by an Ordinance of the Competent Ministry
	the registered holder (meaning a registered holder as prescribed in Article 221, item (iii) of the Companies Act) that is the registrant of a lost share certificate (meaning the registrant of a lost share certificate as prescribed in Article 224, paragraph (1) of that Act) or other person specified by Ordinance of the Competent Ministry	the person making the relevant request
	registered holder or similar person	requester
	by the day the registration is deleted	by the day the person has so requested
Article 159, paragraph (3), item (i)	registered holder or similar person	requester



(Creating Entries or Records for the Retirement of Book-Entry Transfer Preferred Equity Investment)

- Article 240 (1) Before the issuer of book-entry transfer preferred equity investment of a particular issue (meaning an issue as prescribed in Article 129, paragraph (3), item (ii) applied mutatis mutandis in paragraph (1) of the preceding Article; the same applies hereinafter from this Article to Article 243) retires that preferred equity investment (other than in a case as prescribed in paragraph (1) of the following Article and Article 242, paragraph (1)), it must notify the relevant persons of the deletion of the book-entry transfer preferred equity investment without delay after either the date referred to in Article 245, paragraph (3) or the time of completion of the procedures prescribed in Article 111, paragraphs (2) to (4) of the Act on Securitization of Assets, whichever is later. In such a case, that notice is to be given to the Immediately Superior Institution of the Participant in whose account the reduction will be entered or recorded as the result of the deletion (other than a customer account (meaning the customer account prescribed in Article 129, paragraph (2), item (ii) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article; hereinafter the same applies in this and the following Articles)).
- (2) On being notified as referred to in the first sentence of the preceding paragraph, a Book-Entry Transfer or Account Management Institution, pursuant to the provisions of paragraphs (4) to (6) inclusive and as indicated in the notice pursuant to the provisions of the following paragraph, must enter or record the reduction in the book-entry transfer preferred equity investment about which it has been notified in the book-entry transfer account register that it maintains, or must notify the relevant person.
- (3) The issuer must indicate the following information in notifying the relevant person as referred to in the first sentence of the paragraph (1):
- (i) the name and account of the Participant in whose account the reduction will be entered or recorded as the result of the deletion;
  - (ii) the issue and number of units of book-entry transfer preferred equity investment for which an entry or record showing a reduction will need to be created when the deletion is effected;
  - (iii) whether the reduction will be entered or recorded in the holdings column (meaning the holdings column prescribed in Article 130, paragraph (2), item (i), sub-item (a) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article; the same applies in paragraph (3) of the following Article and Article 242, paragraph (5)) or the pledge column (meaning the pledge column prescribed in Article 130, paragraph (2), item (i), sub-item (b) as applied mutatis mutandis pursuant to paragraph (1) of the preceding Article; hereinafter the same applies in this and the following Articles) of the account referred to in item (i);

- (iv) the names and addresses of the preferred equity partners holding book-entry transfer preferred equity investment in connection with which the entry or record showing the reduction will need to be created in the pledge column of the account referred to in item (i), and the number of units as referred to in item (ii) ascribable to each preferred equity partner.
- (4) Upon being notified as referred to in the first sentence of paragraph (1), a Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
- (i) create the following entries or records in the column indicated pursuant to the provisions of item (iii) of the preceding paragraph of the account referred to in item (i) of that paragraph:
    - (a) an entry or record showing a reduction equal to the number of units referred to in item (ii) of the preceding paragraph;
    - (b) an entry or record showing a reduction equal to the number of units ascribable to each preferred equity partner as referred to in item (iv) of the preceding paragraph, if the entry or record of the reduction referred to in sub-item (a) is created in the pledge column.
  - (ii) notify the Immediately Superior Institution of the information indicated pursuant to item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (5) Upon being notified as referred to in item (ii) of the preceding paragraph, the Book-Entry Transfer or Account Management Institution that has been so notified must immediately take the following measures:
- (i) create an entry or record showing a reduction equal to the number of units under paragraph (3), item (ii) in the customer account subdivision under the account of the Account Management Institution that has notified it;
  - (ii) notify the Immediately Superior Institution of the information of which it has been notified pursuant to the provisions of item (ii) of the preceding paragraph, if the Book-Entry Transfer or Account Management Institution is an Account Management Institution.
- (6) The provisions of the preceding paragraph apply mutatis mutandis to a Book-Entry Transfer or Account Management Institution that is notified as referred to in item (ii) of the preceding paragraph (including as applied mutatis mutandis pursuant to this paragraph), once it has been so notified.

(Creating Entries or Records for the Retirement of All Preferred Equity Investment)

Article 241 (1) Before the issuer of book-entry transfer preferred equity investment retires all of its book-entry transfer preferred equity investment of a particular issue, it must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following

information by two weeks prior to the effective date under item (ii):

- (i) the issue of book-entry transfer preferred equity investment subject to the retirement;
  - (ii) the effective date referred to in Article 245, paragraph (1).
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of book-entry transfer preferred equity investment about which it has been notified.
- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified must delete the entries or records for all book-entry transfer preferred equity investment as referred to in paragraph (1), item (i) from the holdings and pledge columns (meaning the holdings and pledge columns as prescribed in Article 136, paragraph (3) as applied mutatis mutandis pursuant to Article 239, paragraph (1); the same applies in paragraphs (3) and (5) of the following Article) of the book-entry transfer account register that it maintains under which entries or records have been created for such book-entry transfer preferred equity investment, either on the effective date referred to in paragraph (1), item (ii) or at the time of completion of the procedures prescribed in Article 111, paragraphs (2) to (4) of the Act on Securitization of Assets, whichever is later.
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied mutatis mutandis pursuant to this paragraph), the provisions of the preceding two paragraphs apply mutatis mutandis to the Account Management Institution that has been so notified.

(Creating Entries or Records for the Retirement of Book-Entry Transfer Preferred Equity Investment in Proportion to the Number of Units of Preferred Equity Investment Held)

Article 242 (1) Before the issuer of book-entry transfer preferred equity investment retires preferred equity investment of a particular issue in proportion to the number of units held by preferred equity partners, the issuer must notify the Book-Entry Transfer Institution to which it has given the consent referred to in Article 13, paragraph (1) of the following information by two weeks prior to the effective date under item (iii):

- (i) the issue of book-entry transfer preferred equity investment subject to retirement;
- (ii) the percentage arrived at when the percentage of the total number of issued units referred to in sub-item (b) which the total number of issued units referred to in sub-item (a) represents is subtracted from the number one (hereinafter referred to as the "percent reduction" in this Article):

- (a) the total number of issued units of book-entry transfer preferred equity investment after the retirement of preferred equity investment;
  - (b) the total number of issued units of book-entry transfer preferred equity investment before the retirement of preferred equity investment.
  - (iii) the effective date referred to in Article 245, paragraph (1);
  - (iv) the issuer's account (or one of them, if it has multiple accounts).
- (2) Upon being notified as referred to in the preceding paragraph, the Book-Entry Transfer Institution that has been so notified must immediately notify its Immediately Subordinate Institution of the information set forth in the items of that paragraph as regards the issue of book-entry transfer preferred equity investment about which it has been notified.
- (3) Upon being notified as referred to in paragraph (1), the Book-Entry Transfer Institution that has been so notified must create entries or records under the holdings and pledge columns in which entries or records have been created for book-entry transfer preferred equity investment as referred to in item (i) of that paragraph in the book-entry transfer account register that it maintains, showing reductions equal to the numbers arrived at when each of the numbers that have been entered or recorded in a holdings or pledge column is multiplied by the percent reduction, either on the effective date referred to in paragraph (1), item (iii) or at the time of completion of the procedures referred to in the provisions of Article 111, paragraphs (2) to (4) of the Act on Securitization of Assets, whichever is later.
- (4) If an Account Management Institution is notified as referred to in paragraph (2) (including as applied *mutatis mutandis* pursuant to this paragraph), the provisions of the preceding two paragraphs apply *mutatis mutandis* to the Account Management Institution that has been so notified.
- (5) Notwithstanding paragraph (3), if a Book-Entry Transfer Institution's creation of an entry or record showing a reduction pursuant to the provisions of paragraph (3) (including as applied *mutatis mutandis* pursuant to the preceding paragraph; hereinafter the same applies in this paragraph) would cause a non-whole number to be recorded or entered in a holdings or pledge column as prescribed paragraph (3), in lieu of creating the entry or record that it is required to create for that holdings or pledge column, the Book-Entry Transfer or Account Management Institution must create an entry or record as prescribed by Cabinet Order in the holdings or pledge column subdivision of a Participant under that holdings or pledge column, or in the holdings column of the account referred to in paragraph (1), item (iv), and issue the necessary instructions for the creation of the relevant entry or record to its Subordinate Institution pursuant to the provisions of Cabinet Order. In such a case, the Subordinate Institution must take measures that comply with those instructions.

(Handling If the Issuer Retires Book-Entry Transfer Preferred Equity Investment in Error)

Article 243 (1) Even if an issuer is acting in good faith, its retirement of book-entry transfer preferred equity investment that the provisions of Article 147, paragraph (1) or Article 148, paragraph (1), as applied mutatis mutandis pursuant to Article 239, paragraph (1), establish it is not permissible to assert against the issuer does not have the effect of reducing the number of units of other book-entry transfer preferred equity investment of the same issue which may be asserted against the issuer.

(2) If a preferred equity partner is paid monies at the time of retirement of the preferred equity investment prescribed in the preceding paragraph, that preferred equity partner does not have a duty to return those monies to the issuer.

(3) If an issuer retires preferred equity investment as prescribed in paragraph (1), it acquires the rights of a preferred equity partner under the provisions of Article 147, paragraph (2) or Article 148, paragraph (2), as applied mutatis mutandis pursuant to Article 239, paragraph (1), toward the Book-Entry Transfer or Account Management Institution, to the extent of the amount of monies prescribed in the preceding paragraph.

(Special Provisions for When Previously Issued Preferred Equity Investment Becomes Book-Entry Transfer Preferred Equity Investment)

Article 244 Before an issuer has given the consent referred to in Article 13, paragraph (1) for preferred equity investment that has already been issued, the pledgee (other than the registered pledgee of preferred equity investment (meaning the registered pledgee of preferred equity investment as prescribed in Article 43, paragraph (4) of the Act on Securitization of Assets)) of that preferred equity investment may demand that the issuer create an entry or record of the information set forth in each item of Article 148 of the Companies Act as applied mutatis mutandis pursuant to Article 45, paragraph (4) of the Act on Securitization of Assets in the register of preferred equity partners (meaning the register of preferred equity partners prescribed in Article 43, paragraph (1) of that Act), by the day before the fixed date referred to in Article 131, paragraph (1), item (i) as applied mutatis mutandis pursuant to Article 239, paragraph (1).

(Special Provisions of the Act on Securitization of Assets on Retirement of Book-Entry Transfer Preferred Equity Investment)

Article 245 (1) Before the issuer retires preferred equity investment that constitutes book-entry transfer preferred equity investment, it must issue

public notice of this, indicating that the retirement will take effect on the effective date prescribed in Article 47, paragraph (3) of the Act on Securitization of Assets, by two weeks prior to the effective date.

- (2) In a case as prescribed in the preceding paragraph, the retirement of preferred equity investment takes effect on the effective date referred to in that paragraph (or at the time of completion of the procedures under Article 111, paragraphs (2) to (4) of the Act on Securitization of Assets, if these have not been completed).
- (3) Notwithstanding the provisions of paragraph (1), in a case as prescribed in Article 240, paragraph (1), the issuer must issue public notice, by two weeks prior to the date in question, indicating that it will retire the relevant book-entry transfer preferred equity investment and indicating that it will notify the relevant persons of the deletion of the book-entry transfer preferred equity investment as referred to in Article 240, paragraph (1) after the date fixed by the issuer or after the time of completion of the procedures under Article 111, paragraphs (2) to (4) of the Act on Securitization of Assets, whichever is later.
- (4) Notwithstanding the provisions of paragraph (2), in a case as prescribed in Article 240, paragraph (1), the retirement of preferred equity investment takes effect on the day that an entry or record is created showing a reduction as under paragraph (4), item (i), sub-item (a) of that Article.

(Special Provisions of the Act on Securitization of Assets on the Merger of Book-Entry Transfer Preferred Equity Investment)

- Article 246 (1) Before merging book-entry transfer preferred equity investment, the issuer must issue public notice of the information set forth in the items of Article 180, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 50, paragraph (1) of the Act on Securitization of Assets by two weeks prior to the date prescribed in item (ii) of that paragraph.
- (2) In a case as prescribed in the preceding paragraph, the merger of preferred equity investment takes effect on the day referred to in Article 180, paragraph (2), item (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 50, paragraph (1) of the Act on Securitization of Assets.

(Exemption of Book-Entry Transfer Preferred Equity Investment from Application of the Act on Securitization of Assets)

- Article 247 (1) The provisions of Article 132, paragraph (1), items (ii) and (iii) and paragraphs (2) and Article 133 of the Companies Act as applied mutatis mutandis pursuant to Article 45, paragraph (3) of the Act on Securitization of Assets and the provisions of Article 148 of the Companies Act as applied mutatis mutandis pursuant to Article 45, paragraph (4) of the Act on Securitization of Assets do not apply to the book-entry transfer preferred

equity investment.

- (2) Notwithstanding the provisions of Article 116, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 153, paragraph (4) of the Act on Securitization of Assets, in lieu of notifying the relevant persons as under those provisions, a special purpose company issuing book-entry transfer preferred equity investment must issue public notice of the information of which it is required to notify those persons.

#### **Section 4 Book Entry Transfer of Subscription Rights for New Preferred Equity Investment in a Special Purpose Company**

(Ownership of Rights)

Article 248 (1) The ownership of rights constituting subscription rights for new preferred equity investment (meaning subscription rights for new preferred equity investment as prescribed in Article 139, paragraph (2) of the Act on Securitization of Assets; the same applies hereinafter) embedded in specified corporate bonds handled by a Book-Entry Transfer Institution which are provided for in a decision to issue specified corporate bonds with subscription rights for new preferred equity investment establishing, in an asset securitization plan (meaning the asset securitization plan prescribed in Article 2, paragraph (4) of the Act on Securitization of Assets), that only the subscription rights for the new preferred equity investment may be transferred, and establishing that all of the specified corporate bonds with subscription rights for new preferred equity investment that are issued based on that decision (but only those resulting in the issuance of book-entry transfer preferred equity investment when the subscription rights for new preferred equity investment embedded in the specified corporate bonds are exercised) will be subject to the application of this Act (hereinafter such rights are referred to as "Book-Entry Transfer Subscription Rights for New Preferred Equity Investment") is established by the entries or records in a book-entry transfer account register as under the provisions of this Section.

- (2) In this Section, the number of units of Book-Entry Transfer Subscription Rights for New Preferred Equity Investment is determined by the amount paid-in for preferred equity investment issued upon exercise of Book-Entry Transfer Subscription Rights for New Preferred Equity Investment.

(Mutatis Mutandis Application of Provisions on Share Options to Subscription Rights for New Preferred Equity Investment)

Article 249 (1) The provisions of Chapter VIII (excluding the provisions of Articles 163, Article 164, paragraph (3), Article 166, paragraph (1), items (v) to (vii) inclusive and paragraph (2), item (i), sub-items (b) to (d) inclusive, Article

167, Article 168, paragraph (3), items (iii) and (vi), paragraph (4), item (i), sub-item (b) and item (iv), paragraph (5), item (iv) and paragraph (7), item (ii), Articles 169, 171 and 183, Article 184, paragraphs (2) and (4), Articles 185 to 187 inclusive, Article 189 and Article 190; the same applies in the following paragraph) apply mutatis mutandis to subscription rights for new preferred equity investment. In such a case, the words or phrases in the left-hand column of the following table are deemed to be replaced with the words or phrases in the right-hand column, except in the cases prescribed in the following paragraph.

number	amount
total number	total amount
increase	increase
reduction	reduction
number subject to book entry transfer	amount subject to book entry transfer
total issued number	total issued amount
aggregate number	aggregate amount
number in overage	amount of the overage
maximum number ascribable to the account management institution	maximum amount ascribable to the account management institution

(2) If the provisions of Chapter VIII apply mutatis mutandis to subscription rights for new preferred equity investment, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 164, paragraph (1)	share option certificates	certificates representing subscription rights for new preferred equity investment (meaning certificates representing subscription rights for new preferred equity investment as prescribed in Article 142, paragraph (1) of the Act on Securitization of Assets; the same applies hereinafter)
Article 164, paragraph (2)	share option certificates	certificates representing subscription rights for new preferred equity investment



Article 165, paragraph (3), item (iv)	the number of Book-Entry Transfer Share Options that have been pledged thereto, by issue; the number of Book-Entry Transfer Share Options of each issue that each share option holder has pledged thereto; and the names and addresses of those share option holders;	amount of subscription rights for new preferred equity investment that have been pledged thereto, by issue;
Article 166, paragraph (1)	the date on which it issues those Book-Entry Transfer Share Options	the date on which it issues the specified corporate bonds with subscription rights for new preferred equity investment (meaning specified corporate bonds with subscription rights for new preferred equity investment as prescribed in Article 139, paragraph (1) of the Act on Securitization of Assets; hereinafter the same applies) that constitute those book-entry transfer subscription rights for new preferred equity investment
Article 166, paragraph (1), item (ii)	the holders and pledgees of	the holders of
Article 166, paragraph (1), item (iv)	the number of Book-Entry Transfer Bonds with Share Options as referred to in item (i) for each Participant (other than as set forth in the following item);	the amount of new preferred equity investment for each Participant
Article 166, paragraph (2), item (i), sub-item (a)	a Participant as referred to in item (ii) of that paragraph (but only one that is a holder of share options as referred to in that item),	a Participant as referred to in item (ii) of that paragraph

<p>Article 166, paragraph (2), item (ii)</p>	<p>the total of the number referred to in item (iv) of the preceding paragraph and the number of Book-Entry Transfer Share Options as referred to in item (v) of that paragraph</p>	<p>the amount referred to in item (iv) of the preceding paragraph</p>
	<p>, and notify the Immediately Subordinate Institution of the information set forth in items (i) to (viii) inclusive of that paragraph,</p>	<p>, as well as notifying the Immediately Subordinate Institution of the information set forth in items (i) to (iv) inclusive and item (viii) of that paragraph,</p>
<p>Article 168, paragraph (3), item (ii)</p>	<p>or the pledge column of the account of the Participant referred to in the preceding paragraph</p>	<p>of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 165, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);</p>
<p>Article 168, paragraph (4), item (i), sub- item (a)</p>	<p>number subject to book entry transfer</p>	<p>amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book entry transfer" in this Article)</p>
<p>Article 168, paragraph (4), items (ii) and (v)</p>	<p>and items (iv) to (vi)</p>	<p>, (iv) and (v)</p>
<p>Article 172</p>	<p>from the holdings and pledge columns of the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Share Options</p>	<p>from the account of the book-entry transfer account register that it maintains under which entries or records have been created for such book-entry transfer subscription rights for new preferred equity investment (for accounts other than the Institution-Held Account or a customer account, this means the holdings column or the pledge column;</p>

the part of Article 179, paragraph (1) other than what is listed in the items of that paragraph; and item (ii) of that paragraph	retired or exercised	exercised
	the number of	the amount of
	less the total issued number	less the total issued amount
the part of Article 180, paragraph (1) other than what is listed in the items	less the number referred to in	less the amount referred to in
	in a number	in an amount
Article 180, paragraph (3)	in a number	in an amount
Article 181, paragraph (1) and Article 182, paragraph (1)	any number representing	any amount representing
	by the number	by the amount
	multiplied by the number	multiplied by the amount
Article 184, paragraph (1)	The issuer of	The issuer of specified corporate bonds with subscription rights for new preferred equity investment that constitutes
	Article 242, paragraph (1) of the Companies Act that it gives about those Book-Entry Transfer Share Options	Article 122, paragraph (1) of the Act on Securitization of Assets that it gives about those specified corporate bonds with subscription rights for new preferred equity investments
	apply to those Book-Entry Transfer Share Options	apply to the Book-Entry Transfer Share Options associated with those specified corporate bonds with subscription rights for new preferred equity investments
Article 184, paragraph (3)	to subscribe for	to subscribe for specified corporate bonds with subscription rights for new preferred equity investment that constitute

the account (but not a special account)	the account
Article 242, paragraph (2) of the Companies Act	Article 122, paragraph (2) of the Act on Securitization of Assets
Article 244, paragraph (1)	Article 124
to the issuer of	to the issuer of the specified corporate bonds with subscription rights for new preferred equity investment that constitute

**Section 5 Book Entry Transfer of Convertible Specified Corporate Bonds Issued by Special Purpose Companies**

(Ownership of Rights)

Article 250 The ownership of rights (other than a claim for interest due free from seizure) under convertible specified corporate bonds that are provided for in a decision to issue convertible specified corporate bonds establishing that all convertible specified corporate bonds issued based on that decision (but only bonds that result in the issuance of book-entry transfer preferred equity investment when converted) will be subject to the provisions of this Act, and that are handled by a Book-Entry Transfer Institution (hereinafter referred to as "Convertible, Specified, Book-Entry Transfer Corporate Bonds") is established by the entries or records in a book-entry transfer account register as under the provisions of this Section.

(Mutatis Mutandis Application of Provisions on Corporate Bonds with Share Options to Convertible, Specified Corporate Bonds)

Article 251 (1) The provisions of the preceding Chapter (excluding the provisions of Article 192, Article 195, paragraph (1), items (v) to (vii) inclusive and paragraph (2), item (i), sub-items (b) to (d) inclusive, Article 196, Article 197, paragraph (3), items (iii) and (vi), paragraph (4), item (i), sub-item (b) and item (iv), paragraph (5), item (iv) and paragraph (7), item (ii), Article 198, Articles 200 to 203 inclusive, Article 210, paragraph (2), Article 215, Article 216, paragraphs (2) and (5), Articles 217 to 219 inclusive, Articles 223 and 224 and Article 225, paragraph (1), items (ii) and (iii); the same applies in the following paragraph) apply mutatis mutandis to convertible, specified corporate bonds. In such a case, the words or phrases in the left-hand column of the following table are deemed to be replaced with the words or phrases in the right-hand column, except in the cases prescribed in the following paragraph.

certificates representing corporate bonds with share options	certificates representing convertible, specified corporate bonds
number	amount
total number	total amount
increase	increase
reduction	reduction
number subject to book entry transfer	amount subject to book entry transfer
total issued number	total issued amount
aggregate number	aggregate amount
number in overage	amount of the overage
maximum number ascribable to the book-entry transfer institution	maximum amount ascribable to the book-entry transfer institution
maximum number ascribable to the account management institution	maximum amount ascribable to the account management institution
bondholders meeting	specified corporate bondholders meeting
bond manager	specified corporate bonds manager

(2) If the provisions of the preceding Chapter apply mutatis mutandis to convertible, specified corporate bonds, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 193, paragraph (1)	Article 249, paragraph (2) of the Companies Act	Article 133, paragraph (2) of the Act on Securitization of Assets
Article 194, paragraph (3), item (ii)	(and an indication that the share option embedded in the Book-Entry Transfer Bond has already been exercised, if this is the case; or that the corporate bond itself has already been redeemed, if this is the case;	(
Article 194, paragraph (3), item (iv)	, if this is the case;	, if this is the case, and

	the number of Book-Entry Transfer Bonds with Share Options that have been pledged thereto, by issue; the number of Book-Entry Transfer Bonds with Share Options of each issue that each bondholder has pledged thereto; and the names and addresses of the holders of such Book-Entry Transfer Bonds with Share Options;	the amount of the convertible, specified corporate bonds that have been pledged thereto, by issue;
Article 195, paragraph (1), item (ii)	the holders and pledgees of	the holders of
Article 195, paragraph (1), item (iv)	the number of Book-Entry Transfer Bonds with Share Options as referred to in item (i) for each Participant (other than as set forth in the following item);	the amount of convertible, specified corporate bonds for each Participant;
Article 195, paragraph (1), item (ix)	; the total amount of those Book-Entry Transfer Bonds with Share Options; the period during which the share options embedded in the Book-Entry Transfer Bonds with Share Options are exercisable;	; the period during which it is permissible to demand the conversion of those convertible, specified corporate bonds;
Article 195, paragraph (2), item (i), sub-item (a)	a Participant as referred to in item (ii) of that paragraph (but only one that is a bondholder as referred to in that item),	a Participant as referred to in item (ii) of that paragraph,

<p>Article 195, paragraph (2), item (ii)</p>	<p>the total of the number referred to in item (iv) of the preceding paragraph and the number of Book-Entry Transfer Share Options as referred to in item (v) of that paragraph the total number of the number ... and the number of the Book-Entry Transfer Company Bonds with share option under item (v) of the same paragraph</p>	<p>the amount referred to in item (iv) of the preceding paragraph</p>
	<p>, and notify the Immediately Subordinate Institution of the information set forth in items (i) to (viii) inclusive of that paragraph,</p>	<p>, as well as notifying the Immediately Subordinate Institution of the information set forth in items (i) to (iv) inclusive and item (viii) of that paragraph,</p>
<p>Article 197, paragraph (3), item (ii)</p>	<p>or the pledge column of the account of the Participant referred to in the preceding paragraph</p>	<p>of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 194, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);</p>
<p>Article 197, paragraph (4), item (i), sub- item (a)</p>	<p>number subject to book entry transfer</p>	<p>amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book entry transfer" in this Article)</p>
<p>Article 197, paragraph (4), items (ii) and (v)</p>	<p>and items (iv) to (vi)</p>	<p>, (iv) and (v)</p>

Article 199, paragraph (7)	through a bond manager or similar person (meaning a bond manager or similar person as prescribed in Article 71, paragraph (7), the same applies in the following paragraph)	through a specified corporate bonds manager (meaning a specified corporate bonds manager as prescribed in Article 126 of the Act on Securitization of Assets; the same applies hereinafter) or a trust company subject to a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act (hereinafter referred to as the "specified corporate bonds manager or similar person" in the following paragraph)
	the number of Book-Entry Transfer Bonds with Share Options that corresponds to the amount of corporate bonds for which	an amount equal to that of
Article 199, paragraph (8)	bond manager or similar person	specified corporate bonds manager or similar person
Article 210, paragraph (1)	less the total issued number	less the total issued amount
Article 210, paragraph (1), item (ii)	the total issued number	the total issued amount (other than any amount that has been converted or redeemed)
the part of Article 211, paragraph (1) other than what is listed in the items	less the number	less the amount
	in a number	in an amount
Article 211, paragraph (3)	in a number	in an amount
Article 212, paragraph (1)	number representing	amount representing
	less any number	less any amount
	is multiplied by the number in	is multiplied by the amount of the
Article 212, paragraph (2), item (i)	of the relevant issue (other than those that have had the corporate bond redeemed)	of the relevant issue
	up to the maximum number ascribable to the book-entry transfer institution	up to the maximum amount ascribable to the book-entry transfer institution



Article 213, paragraph (1)	number representing	amount representing
	less the number	less the amount
	is multiplied by the number in	is multiplied by the amount of the
Article 213, paragraph (2), item (i)	of the relevant issue (other than those that have had the corporate bond redeemed)	of the relevant issue
	up to the maximum number ascribable to the account management institution	up to the maximum amount ascribable to the account management institution
Article 214, paragraph (1)	interest in an amount corresponding to the part	an amount of interest
Article 216, paragraph (1)	Article 242, paragraph (1) of the Companies Act	Article 122, paragraph (1) of the Act on Securitization of Assets
Article 216, paragraph (3)	corporate bond register	specified corporate bonds register (meaning a specified corporate bonds register as prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on Securitization of Assets following the deemed replacement of terms)
Article 216, paragraph (4)	the account (but not a special account)	the account
	Article 242, paragraph (2) of the Companies Act	Article 122, paragraph (2) of the Act on Securitization of Assets
	Article 244, paragraph (1)	Article 124
Article 220	exercising a share option embedded in a Book-Entry Transfer Bond	requesting the conversion of a Convertible, Specified, Book-Entry Transfer Corporate Bond (meaning a Convertible, Specified, Book-Entry Transfer Corporate Bond as prescribed in Article 250)
Article 221, paragraph (1)	exercisable at a bondholders meeting in proportion to the amount of the corporate bonds associated with	exercisable at a specified corporate bondholders meeting (meaning a specified company bondholders meeting as prescribed in Article 129, paragraph (1) of the Act on Securitization of Assets; the same applies hereinafter) in proportion to

(Exemption of Convertible, Specified, Book-Entry Transfer Corporate Bonds from Application of the Act on Securitization of Assets)

Article 252 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) to (3) inclusive, Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) to (3) inclusive of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on Securitization of Assets do not apply to Convertible, Specified, Book-Entry Transfer Corporate Bonds.

### **Section 6 Book Entry Transfer of Specified Corporate Bonds with Subscription Rights for New Preferred Equity Investment in Special Purpose Companies**

(Ownership of Rights)

Article 253 The ownership of rights (other than a claim for interest due free from seizure) under specified corporate bonds with subscription rights for new preferred equity investment handled by a Book-Entry Transfer Institution, which are provided for in a decision to issue corporate bonds with subscription rights for new preferred equity investment establishing that all corporate bonds with subscription rights for new preferred equity investment issued based on that decision (but only those which result in the issuance of book-entry transfer preferred equity investment upon the exercise of the subscription rights for new preferred equity investment embedded in the specified corporate bonds) will be subject to the application of this Act (this excludes Book-Entry Transfer Subscription Rights for New Preferred Equity Investment as prescribed in Article 248, paragraph (1); hereinafter referred to as the "Book-Entry Transfer Specified Bonds with Subscription Rights for New Preferred Equity Investment") is established by the entries or records in a book-entry transfer account register as under the provisions of this Section.

(Mutatis Mutandis Application of Provisions on Corporate Bonds with Share Options to Specified Corporate Bonds with Subscription Rights for New Preferred Equity Investment)

Article 254 (1) The provisions of the preceding Chapter (excluding the provisions of Article 192, Article 195, paragraph (1), items (v) to (vii) inclusive and paragraph (2), item (i), sub-items (b) to (d) inclusive, Article 196, Article 197, paragraph (3), items (iii) and (vi), paragraph (4), item (i), sub-item (b) and item (iv), paragraph (5), item (iv) and paragraph (7), items (ii), Article 198, Articles 200 and 215, Article 216, paragraphs (2) and (5), Articles 217 to 219, Articles 223 and 224; the same applies in the following paragraph) apply mutatis

mutandis to specified corporate bonds with subscription rights for new preferred equity investment. In such a case, the words or phrases in the left-hand column of the following table are deemed to be replaced with the words or phrases in the right-hand column, except in the cases prescribed in the following paragraph.

certificates representing corporate bonds with share options	certificates representing specified corporate bonds with subscription rights for new preferred equity investment
number	amount
increase	increase
reduction	reduction
number subject to book entry transfer	amount subject to book entry transfer
total number	total amount
total issued number	total issued amount
aggregate number	aggregate amount
number in overage	amount of the overage
maximum number ascribable to the book-entry transfer institution	maximum amount ascribable to the book-entry transfer institution
maximum number ascribable to the account management institution	maximum amount ascribable to the account management institution
bondholders meeting	specified corporate bondholders meeting
bond manager	specified corporate bonds manager

(2) If the provisions of the preceding Chapter apply mutatis mutandis to specified corporate bonds with subscription rights for new preferred equity investment, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 193, paragraph (1)	Article 249, item (ii) of the Companies Act	Article 141, paragraph (2) of the Act on Securitization of Assets
Article 194, paragraph (3), item (ii)	the share option	the subscription rights for new preferred equity investments (meaning the subscription rights for new preferred equity investment as prescribed in Article 139, paragraph (2) of the Act on Securitization of Assets; the same applies hereinafter)

	; or that	that the subscription rights for new preferred equity investment are not embedded in Book-Entry Transfer Specified Bonds with Subscription Rights for New Preferred Equity Investment (meaning Book-Entry Transfer Specified Bonds with Subscription Rights for New Preferred Equity Investment as prescribed in Article 253), if this is the case; or that
Article 194, paragraph (3), item (iv)	, if this is the case;	, if this is the case, and
	the number of Book-Entry Transfer Bonds with Share Options that have been pledged thereto, by issue; the number of Book-Entry Bonds with Share Options of each issue that each bondholder has pledged thereto; and the names and addresses of the holders of such Book-Entry Transfer Bonds with Share Options;	the amount of the subscription rights for new preferred equity investment that has been pledged thereto, by issue;
Article 195, paragraph (1), item (ii)	the holders and pledgees of	the holders of
Article 195, paragraph (1), item (iv)	the number of Book-Entry Transfer Bonds with Share Options as referred to in item (i) for each Participant (other than as set forth in the following item);	the amount of subscription rights for new preferred equity investment for each Participant;
Article 195, paragraph (1), item (ix)	the total number of Book-Entry Transfer Bonds with Share Options as referred to in item (i); the total amount of those Book-Entry Transfer Bonds with Share Options;	the total amount of the subscription rights for new preferred equity investment;

Article 195, paragraph (2), item (i), sub- item (a)	(but only one that is a bondholder as referred to in that item),	,
Article 195, paragraph (2), item (ii)	the total of the number referred to in item (iv) of the preceding paragraph and the number of Book-Entry Transfer Share Options as referred to in item (v) of that paragraph	the amount referred to in item (iv) of the preceding paragraph
	, and notify the Immediately Subordinate Institution of the information set forth in items (i) to (viii) inclusive of that paragraph,	, as well as notifying the Immediately Subordinate Institution of the information set forth in items (i) to (iv) inclusive and item (viii) of that paragraph,
Article 197, paragraph (3), item (ii)	or the pledge column of the account of the Participant referred to in the preceding paragraph	of the account of the Participant referred to in the preceding paragraph or in the column of that account where the information set forth in Article 194, paragraph (3), item (iv) is entered or recorded (hereinafter referred to as the "pledge column" in this Chapter);
Article 197, paragraph (4), item (i), sub- item (a)	number subject to book entry transfer	amount referred to in item (i) of the preceding paragraph (hereinafter referred to as the "amount subject to book entry transfer" in this Article)
Article 197, paragraph (4), items (ii) and (v)	and items (iv) to (vi)	, (iv) and (v)

Article 199, paragraph (7)	through a bond manager or similar person (meaning a bond manager or similar person as prescribed in Article 71, paragraph (7), the same applies in the following paragraph)	through a specified corporate bonds manager (meaning a specified corporate bonds manager as prescribed in Article 126 of the Act on Securitization of Assets; the same applies hereinafter) or a trust company subject to a trust agreement as prescribed in Article 2, paragraph (1) of the Secured Bonds Trust Act (hereinafter referred to as the "specified corporate bonds manager or similar person" in the following paragraph)
	the number of Book-Entry Transfer Bonds with Share Options that corresponds to the amount of corporate bonds for which	an amount equal to that of
Article 199, paragraph (8)	bond manager or similar person	specified corporate bonds manager or similar person
Article 201	from the holdings and pledge columns of the book-entry transfer account register that it maintains under which entries or records have been created for such Book-Entry Transfer Bonds with Share Options	from the account of the book-entry transfer account register that it maintains under which entries or records have been created for such subscription rights for new preferred equity investment (for accounts other than the Institution-Held Account or a customer account, this means the holdings column or the pledge column)
Article 202, paragraph (1)	unless the corporate bond constituting the Book-Entry Transfer Bond with Share Options ceases to exist due to the exercise of the share option	unless a demand as referred to in Article 5, paragraph (1), item (ii), sub-item (d-5) of the Act on Securitization of Assets has been made
Article 203, paragraph (1)	one with an extinguished share option	one with an extinguished share option or with no
Article 210, paragraph (1)	the total issued number	the total issued amount
Article 210, paragraph (2), item (i)	retired or exercised	exercised

Pthe part of Article 211, paragraph (1) other than what is listed in the items the listed items	less the number	less the amount
	in a number	in an amount
Article 211, paragraph (3)	in a number	in an amount
Article 212, paragraph (1)	number representing	amount representing
	less any number	less any amount
	is multiplied by the number in	is multiplied by the amount of the
Article 212, paragraph (2), item (i)	up to the maximum number ascribable to the book-entry transfer institution	up to the maximum amount ascribable to the book-entry transfer institution
Article 213, paragraph (1)	number representing	amount representing
	less the number	less the amount
	is multiplied by the number in	is multiplied by the amount of the
Article 213, paragraph (2), item (i)	up to the maximum number ascribable to the account management institution	up to the maximum amount ascribable to the account management institution
Article 214, paragraph (1)	interest in an amount corresponding to the part	an amount of interest
Article 216, paragraph (1)	Article 242, paragraph (1) of the Companies Act	Article 122, paragraph (1) of the Act on Securitization of Assets
Article 216, paragraph (3)	corporate bond register	specified corporate bonds register (meaning a specified corporate bonds register as prescribed in Article 681 of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on Securitization of Assets following the deemed replacement of terms)
Article 216, paragraph (4)	the account (but not a special account)	the account
	Article 242, paragraph (2) of the Companies Act	Article 122, paragraph (2) of the Act on Securitization of Assets

	Article 244, paragraph (1)	Article 124
Article 221, paragraph (1)	exercisable at a bondholders meeting in proportion to the amount of the corporate bonds associated with	exercisable at a specified corporate bondholders meeting (meaning a specified corporate bondholders meeting as prescribed in Article 129, paragraph (1) of the Act on Securitization of Assets; the same applies hereinafter) in proportion to

(Exemption of Book-Entry Transfer Specified Bonds with Subscription Rights for New Preferred Equity Investment from Application of the Act on Securitization of Assets)

Article 255 The provisions of Article 681, items (iv) and (v), Article 682, paragraphs (1) to (3) inclusive, Article 688, paragraph (1), Article 690, paragraph (1), Article 691, paragraphs (1) and (2), Article 693, paragraph (1), Article 694, paragraph (1) and Article 695-2, paragraphs (1) to (3) inclusive of the Companies Act as applied mutatis mutandis pursuant to Article 125 of the Act on Securitization of Assets do not apply to Book-Entry Transfer Specified Bonds with Subscription Rights for New Preferred Equity Investment.

## **Chapter XI Effecting Book Entries for Entity Conversions**

### **Section 1 Effecting Book Entries for Entity Conversions under the Act on Mergers and Conversions of Financial Institutions**

(Creating Entries or Records for a Merger of Financial Institutions)

Article 256 (1) The provisions of Article 138, paragraphs (1) to (5) apply mutatis mutandis if a bank incorporated in a consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Mergers and Conversions of Financial Institutions (Act No. 86 of 1968) (hereinafter referred to as the "Mergers and Conversions Act" in this Section); hereinafter the same applies in this Section) seeks to issue Book-Entry Transfer Shares to the shareholders of the banks disappearing in the consolidation-type merger (meaning the banks disappearing in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (i) of the Mergers and Conversions Act; hereinafter the same applies in this Section) at the time of the consolidation-type merger (meaning a consolidation-type merger as prescribed in Article 2, paragraph (5) of the Mergers and Conversions Act; hereinafter the same applies in this Section), and the shares in the banks disappearing in the consolidation-type



merger are Book-Entry Transfer Shares. In such a case, the phrase "the effective date or date of incorporation" in Article 138, paragraphs (1) and (3) is deemed to be replaced with "the incorporation date of the bank incorporated in a consolidation-type merger (meaning the bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Mergers and Conversions of Financial Institutions)".

- (2) The provisions of Article 138, paragraphs (1) to (6) apply mutatis mutandis if preferred equity investment (meaning preferred equity investment as prescribed in Article 4, paragraph (1) of the Mergers and Conversions Act; hereinafter the same applies in this Section) in a cooperative financial institution disappearing in an absorption-type merger (meaning a cooperative financial institution disappearing in an absorption-type merger as prescribed in Article 9, paragraph (1), item (i) of the Mergers and Conversions Act; hereinafter the same applies in this Section) or in the cooperative financial institutions disappearing in a consolidation-type merger (meaning cooperative financial institutions disappearing in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (i) of the Mergers and Conversions Act; hereinafter the same applies in this Section) is book-entry transfer preferred equity investment (meaning book-entry transfer preferred equity investment as prescribed in Article 234, paragraph (1) of the Mergers and Conversions Act; hereinafter the same applies in this Section) and the bank surviving the absorption-type merger (meaning the bank surviving the absorption-type merger as prescribed in Article 9, paragraph (1), item (i) of the Mergers and Conversions Act; hereinafter the same applies in this Section) seeks to issue Book-Entry Transfer Shares to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger (meaning at the time of an absorption-type merger as prescribed in Article 2, paragraph (4) of the Mergers and Conversions Act; hereinafter the same applies in this Section) or the bank incorporated in the consolidation-type merger seeks to issue Book-Entry Transfer Shares to the preferred equity investors of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date or date of incorporation	effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions; the same applies hereinafter) or the incorporation date of the bank incorporated in a consolidation-type merger (meaning the bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of that Act; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total issued number	total number of issued units
Article 138, paragraph (1), item (iv) and paragraph (3)	effective date or date of incorporation	effective date or the incorporation date of the bank incorporated in a consolidation-type merger
Article 138, paragraph (3), item (i)	the number of	the number of units of
Article 138, paragraph (6)	effective date or date of incorporation	effective date

(3) The provisions of Article 138, paragraphs (1) to (6) apply mutatis mutandis if the shares in a bank disappearing in an absorption-type merger (meaning a bank disappearing in an absorption-type merger as prescribed in Article 11, paragraph (1), item (i) of the Mergers and Conversions Act; hereinafter the same applies in this Section) or in the banks disappearing in a consolidation-type merger are Book-Entry Transfer Shares and the Shinkin Bank surviving the absorption-type merger (meaning a Shinkin Bank surviving an absorption-type merger as prescribed in Article 11, paragraph (1), item (i) of the Mergers and Conversions Act; hereinafter the same applies in this Section) seeks to issue book-entry transfer preferred equity investment to the shareholders of the bank disappearing in the absorption-type merger at the time of the absorption-type merger, or the Shinkin Bank incorporated in the consolidation-type merger (meaning a Shinkin Bank incorporated in a consolidation-type merger as prescribed in Article 15, paragraph (1), item (ii) of the Mergers and Conversions Act; hereinafter the same applies in this Section) seeks to issue book-entry transfer preferred equity investment to the shareholders of the banks disappearing in the consolidation-type merger at the time of the consolidation-type merger.

Article 138, first sentence of paragraph (1)	effective date or date of incorporation	effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions; the same applies hereinafter) or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger (meaning the Shinkin Bank incorporated in a consolidation-type merger as prescribed in Article 15, paragraph (1), item (ii) of that Act; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total number of	total number of units of
Article 138, paragraph (1), item (iv)	effective date or date of incorporation	effective date or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger
Article 138, paragraph (1), item (vii)	total number	total number of units
Article 138, paragraph (3)	effective date or date of incorporation	effective date or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger
Article 138, paragraph (3), item (i)	of the number	of the number of units
Article 138, paragraph (6)	effective date or date of incorporation	effective date

(4) The provisions of Article 138, paragraphs (1) to (6) apply mutatis mutandis If preferred equity investment in a cooperative financial institution disappearing in an absorption-type merger or the cooperative financial institutions disappearing in a consolidation-type merger is book-entry transfer preferred equity investment, and the cooperative financial institution surviving the absorption-type merger (meaning a cooperative financial institution surviving an absorption-type merger as prescribed in Article 17, paragraph (1), item (i) of the Mergers and Conversions Act; hereinafter the same applies in this Section) seeks to issue book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger, or the cooperative financial institution incorporated in the consolidation-type merger (meaning a cooperative financial institution incorporated in a consolidation-type merger prescribed in Article 19, paragraph (1), item (ii) of the Mergers and Conversions Act; hereinafter the same applies in this Section) seeks to

issue book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date or date of incorporation	effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions; the same applies hereinafter) or the incorporation date of the cooperative financial institution incorporated in a consolidation-type merger (meaning the cooperative financial institution incorporated in a consolidation-type merger as prescribed in Article 19, paragraph (1), item (ii) of that Act; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total number of	total number of units of
	total issued number	total number of issued units
Article 138, paragraph (1), item (iv)	effective date or date of incorporation	effective date or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger
Article 138, paragraph (1), item (vii)	total number	total number of units
Article 138, paragraph (3)	effective date or date of incorporation	effective date or the incorporation date of the Shinkin Bank incorporated in a consolidation-type merger
Article 138, paragraph (3), item (i)	the number	the number of units
Article 138, paragraph (6)	effective date or date of incorporation	effective date

Article 257 (1) The provisions of Article 160, paragraph (1) apply mutatis mutandis if the shares of the banks disappearing in a consolidation-type merger are not Book-Entry Transfer Shares and the bank incorporated in the consolidation-type merger seeks to issue Book-Entry Transfer Shares to the shareholders of the banks dissolved in the consolidation-type merger at the

time of the consolidation-type merger. In such a case, the phrase "the effective date or date of incorporation" in that paragraph is deemed to be replaced with "the incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in the consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Mergers and Conversions of Financial Institutions)".

(2) The provisions of Article 160, paragraph (1) apply mutatis mutandis if the bank surviving an absorption-type merger seeks to issue Book-Entry Transfer Shares to the members, etc. (meaning the members, etc. prescribed in Article 2, paragraph (10) of the Mergers and Conversions Act; hereinafter the same applies in this Section) of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger, or if the bank incorporated in a consolidation-type merger seeks to issue Book-Entry Transfer Shares to the members, etc. of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; and the provisions of Article 160, paragraph (2) apply mutatis mutandis if the bank surviving an absorption-type merger seeks to transfer Book-Entry Transfer Shares to the members, etc. of the cooperative financial institution dissolved in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "the effective date or date of incorporation" in the paragraph (1) of that Article is deemed to be replaced with "the effective date (meaning the effective date prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions; the same applies in the following paragraph) or the incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of that Act)"; the phrase "effective date or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

(3) The provisions of Article 160, paragraph (1) apply mutatis mutandis if preferred equity investment in the cooperative financial institution disappearing in an absorption-type merger or in the cooperative financial institutions disappearing in a consolidation-type merger is not book-entry transfer preferred equity investment and the bank surviving the absorption-type merger seeks to issue Book-Entry Transfer Shares to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger, or the bank incorporated in the consolidation-type merger seeks to issue Book-Entry Transfer Shares to the preferred equity investors of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the

consolidation-type merger; and the provisions of paragraph (2) of that Article apply mutatis mutandis if a bank surviving an absorption-type merger seeks to transfer Book-Entry Transfer Shares to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions; the same applies to the following paragraph) or the incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of that Act)"; the phrase "effective date or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

- (4) The provisions of Article 160, paragraph (1) apply mutatis mutandis if shares in the bank disappearing in an absorption-type merger or in the banks disappearing in a consolidation-type merger are not Book-Entry Transfer Shares but the Shinkin Bank surviving the absorption-type merger seeks to issue book-entry transfer preferred equity investment to the shareholders of the bank disappearing in the absorption-type merger at the time of the absorption-type merger or the Shinkin Bank incorporated in the consolidation-type merger seeks to issue book-entry transfer preferred equity investment to the shareholders of the bank established in the consolidation-type merger at the time of the consolidation-type merger; and the provisions of paragraph (2) of that Article apply mutatis mutandis if the Shinkin Bank surviving an absorption-type merger seeks to transfer book-entry transfer preferred equity investments to the shareholders of the bank disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions; the same applies to the following paragraph) or the incorporation date of the Shinkin Bank incorporated in the consolidation-type merger (meaning a Shinkin Bank incorporated in a consolidation-type merger as prescribed in Article 15, paragraph (1), item (ii) of that Act)"; the phrase "effective date or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.
- (5) The provisions of Article 160, paragraph (1) apply mutatis mutandis if the cooperative financial institution surviving an absorption-type merger seeks to

issue book-entry transfer preferred equity investment to the members, etc. of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger or if the cooperative financial institution incorporated in a consolidation-type merger seeks to issue book-entry transfer preferred equity investment to the members, etc. of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; and the provisions of paragraph (2) of that Article apply mutatis mutandis if the cooperative financial institution surviving an absorption-type merger seeks to transfer book-entry transfer preferred equity investments to the members, etc. of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions; the same applies to the following paragraph) or the incorporation date of the cooperative financial institution incorporated in the consolidation-type merger (meaning a cooperative financial institution incorporated in a consolidation-type merger as prescribed in Article 19, paragraph (1), item (ii) of that Act)"; the phrase "effective date or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

- (6) The provisions of Article 160, paragraph (1) apply mutatis mutandis if the preferred equity investment in a cooperative financial institution disappearing in an absorption-type merger or the preferred equity investment in the cooperative financial institutions disappearing in a consolidation-type merger is not book-entry transfer preferred equity investment, but the cooperative financial institution surviving the absorption-type merger seeks to issue book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger, or the cooperative financial institution incorporated in the consolidation-type merger seeks to issue book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; and the provisions of paragraph (2) of that Article apply mutatis mutandis if the cooperative financial institution surviving an absorption-type merger seeks to transfer book-entry transfer preferred equity investment to the preferred equity investors of the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger. In such a

case, the phrase "effective date or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions; the same applies to the following paragraph) or the incorporation date of the cooperative financial institution incorporated in the consolidation-type merger (meaning a cooperative financial institution incorporated in a consolidation-type merger as prescribed in Article 19, paragraph (1), item (ii) of that Act)"; the phrase "effective date or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

(7) The provisions of Article 189, paragraph (1) apply mutatis mutandis if the bank incorporated in a consolidation-type merger seeks to issue Book-Entry Transfer Share Options at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Mergers and Conversions of Financial Institutions)".

(8) The provisions of Article 223, paragraph (1) apply mutatis mutandis if the bank incorporated in a consolidation-type merger seeks to issue Book-Entry Transfer Bonds with Share Options at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on Mergers and Conversions of Financial Institutions)".

Article 258 (1) The provisions of Article 160, paragraph (3) apply mutatis mutandis if shares in the banks disappearing in a consolidation-type merger are Book-Entry Transfer Shares but the bank incorporated in the consolidation-type merger seeks to issue shares that are not Book-Entry Transfer Shares to the shareholders of the banks disappearing in the consolidation-type merger at the time of the consolidation-type merger or the bank incorporated in the consolidation-type merger decides not to allot shares to a certain class of shareholders of the banks disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the bank incorporated in a consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of the Act on



Mergers and Conversions of Financial Institutions)".

- (2) The provisions of Article 160, paragraph (3) apply mutatis mutandis if shares in the bank disappearing in an absorption-type merger or in the bank disappearing in a consolidation-type merger are Book-Entry Transfer Shares and the Shinkin Bank surviving the absorption-type merger seeks to issue equity investment, etc. other than book-entry transfer preferred equity investment (meaning equity investment, etc. as prescribed in Article 11, paragraph (1), item (ii) of the Act on Mergers and Conversions of Financial Institutions; hereinafter the same applies in this Section) to the shareholders of the bank disappearing in the absorption-type merger at the time of the absorption-type merger; the Shinkin Bank incorporated in the consolidation-type merger seeks to issue equity investment, etc. other than book-entry transfer preferred equity investment to the shareholders of the banks disappearing in the consolidation-type merger at the time of the consolidation-type merger; the Shinkin Bank surviving the absorption-type merger decides not to allot equity investment, etc. to a certain class of shareholders in the bank disappearing in the absorption-type merger; or the Shinkin Bank incorporated in the consolidation-type merger decides not to allot equity investment, etc. to a certain class of shareholders in the banks disappearing in the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in Article 160, paragraph (3) is deemed to be replaced with "effective date (meaning the effective date prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions) or the incorporation date of the Shinkin Bank incorporated in the consolidation-type merger (meaning a Shinkin Bank incorporated in a consolidation-type merger as prescribed in Article 15, paragraph (1), item (ii) of that Act)"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.
- (3) The provisions of Article 160, paragraph (3) apply mutatis mutandis if preferred equity investment in the cooperative financial institution disappearing in an absorption-type merger or in the cooperative financial institution disappearing in a consolidation-type merger is book-entry transfer preferred equity investment but the bank surviving the absorption-type merger seeks to issue shares, etc. other than Book-Entry Transfer Shares (meaning shares, etc. as prescribed in Article 9, paragraph (1), item (ii) of the Act on Mergers and Conversions of Financial Institutions; hereinafter the same applies in this paragraph) to preferred equity investors in the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger; the bank incorporated in the consolidation-type merger seeks to issue shares other than Book-Entry Transfer Shares to preferred equity investors in the cooperative financial institutions

disappearing in the consolidation-type merger at the time of the consolidation-type merger; the bank surviving the absorption-type merger decides not to allot shares, etc. to a certain class of preferred equity investors in the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger; or the bank incorporated in the consolidation-type merger decides not to allot shares, etc. to a certain class of preferred equity investors in the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger.. In such a case, the phrase "effective date or date of incorporation" in Article 160, paragraph (3) is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions) or the incorporation date of the bank incorporated in the consolidation-type merger (meaning a bank incorporated in a consolidation-type merger as prescribed in Article 13, paragraph (1), item (ii) of that Act)"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

- (4) The provisions of Article 160, paragraph (3) apply mutatis mutandis if preferred equity investment in the cooperative financial institution disappearing in an absorption-type merger or in the cooperative financial institution disappearing in a consolidation-type merger is book-entry transfer preferred equity investment but the cooperative financial institution surviving the absorption-type merger seeks to issue equity investment, etc. other than book-entry transfer preferred equity investment to preferred equity investors in the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger; the cooperative financial institution incorporated in the consolidation-type merger seeks to issue seeks to issue equity investment, etc. other than book-entry transfer preferred equity investment to preferred equity investors in the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger; the cooperative financial institution surviving the absorption-type merger decides not to allot equity investment, etc. to a certain class of preferred equity investors in the cooperative financial institution disappearing in the absorption-type merger at the time of the absorption-type merger; or the cooperative financial institution incorporated in the consolidation-type merger decides not to allot equity investment, etc. to a certain class of preferred equity investors in the cooperative financial institutions disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 9, paragraph (1), item (iv) of the Act on Mergers and Conversions of Financial Institutions) or the

incorporation date of the cooperative financial institution incorporated in the consolidation-type merger (meaning a cooperative financial institution incorporated in a consolidation-type merger as prescribed in Article 19, paragraph (1), item (ii) of that Act)"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

- (5) The provisions of Article 189, paragraph (3) apply mutatis mutandis if a bank issuing Book-Entry Transfer Share Options (meaning a bank as prescribed in Article 2, paragraph (2) of the Mergers and Conversions Act; the same applies in the following paragraph) seeks to effect an absorption-type merger (but only if the bank will disappear in the absorption-type merger) or consolidation-type merger. In such a case, the phrase "of the company" in Article 189, paragraph (3) is deemed to be replaced with "of the bank (meaning a bank as prescribed in Article 2, paragraph (2) of the Act on Mergers and Conversions of Financial Institutions) or cooperative financial institution (meaning a cooperative financial institution as prescribed in paragraph (3) of that Article)".
- (6) The provisions of Article 223, paragraph (3), apply mutatis mutandis if a bank issuing Book-Entry Transfer Bonds with Share Options seeks to effect an absorption-type merger (but only if the bank will disappear in the absorption-type merger) or consolidation-type merger. In such a case, the phrase "of the company" in that paragraph is deemed to be replaced with "of the bank (meaning a bank as prescribed in Article 2, paragraph (2) of the Act on Mergers and Conversions of Financial Institutions) or cooperative financial institution (meaning a cooperative financial institution as prescribed in paragraph (3) of that Article)".

(Special Provisions of the Act on Mergers and Conversions as regards the Exercise of Appraisal Rights on Shares during a Merger of Financial Institutions)

Article 259 If a holder of Book-Entry Transfer Shares exercises its appraisal rights on those Book-Entry Transfer Shares pursuant to the provisions of Article 24, paragraph (1) of the Mergers and Conversions Act (including as applied mutatis mutandis pursuant to Article 31 of the Mergers and Conversions Act), the bank dissolved (meaning the bank dissolved prescribed in Article 21, paragraph (1) of the Mergers and Conversions Act; hereinafter the same applies in this Article through Article 261) or the bank surviving an absorption-type merger may demand that, in exchange for its paying for the Book-Entry Transfer Shares, the shareholder file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Shares using the account of the bank dissolved or surviving in an absorption-type merger as the transferee account (meaning the transferee account prescribed in Article 132, paragraph (3), item (iv); the same applies in

Articles 266 and 273).

(Special Provisions of the Mergers and Conversions Acts as regards the Exercise of Appraisal Rights on Share Options during a Merger of Financial Institutions)

Article 260 If a holder of Book-Entry Transfer Share Options exercises its appraisal rights on those Book-Entry Transfer Share Options pursuant to the provisions of Article 25, paragraph (1) of the Mergers and Conversions Act, the disappearing bank may demand that, in exchange for its paying for the Book-Entry Transfer Share Options, the holder of the share options file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Share Options using the account of the disappearing bank as the transferee account (meaning the transferee account prescribed in Article 168, paragraph (3), item (iv)); the same applies in Articles 267 and 274).

(Issuing Public Notice to Shareholders during a Merger of Financial Institutions)

Article 261 Notwithstanding the provisions of Article 23, paragraph (1) of the Mergers and Conversions Act (including as applied mutatis mutandis pursuant to Article 31 that Act), in lieu of notifying the relevant persons as under those provisions, the disappearing bank or the bank surviving an absorption-type merger must issue public notice of the information of which it is required to notify those persons.

(Creating Entries or Records for the Conversion of a Financial Institution)

Article 262 (1) The provisions of Article 138, paragraphs (1) to (5) apply mutatis mutandis if preferred equity investment in the cooperative financial institution undergoing a conversion (meaning a conversion as prescribed in Article 2, paragraph (7) of the Mergers and Conversions Act; hereinafter the same applies in this Article) pursuant to the provisions of Article 4, item (iii) of the Mergers and Conversions Act is book-entry transfer preferred equity investment and the post-conversion bank (meaning a post-conversion bank as prescribed in Article 59, paragraph (1), item (i) of the Mergers and Conversions Act; the same applies in the following paragraph) seeks to issue Book-Entry Transfer Shares to preferred equity investors in the cooperative financial institution undergoing the conversion at the time of the conversion. In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date or date of incorporation	effective date (meaning the effective date as prescribed in Article 56, paragraph (1), item (ix) of the Act on Mergers and Conversions of Financial Institutions; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total issued number	total number of issued units
Article 138, paragraph (1), item (iv) and paragraph (3)	effective date or date of incorporation	effective date
Article 138, paragraph (3), item (i)	the number of	the number of units of

- (2) The provisions of Article 160, paragraph (1) apply mutatis mutandis if there is a plan to deliver Book-Entry Transfer Shares pursuant to the provisions of the preceding paragraph and the post-conversion bank seeks to issue Book-Entry Transfer Shares to the members, etc. of the cooperative financial institution undergoing the conversion at the time of conversion. In such a case, the phrase "effective date or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 56, paragraph (1), item (ix) of the Act on Mergers and Conversions of Financial Institutions)"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.
- (3) The provisions of Article 138, paragraphs (1) to (5) apply mutatis mutandis if the shares in an ordinary commercial bank (meaning an ordinary commercial bank as prescribed in Article 2, paragraph (1) of the Mergers and Conversions Act; hereinafter the same applies in this Article) undergoing a conversion pursuant to the provisions of Article 4, item (ii) of the Mergers and Conversions Act are Book-Entry Transfer Shares and the post-conversion Shinkin Bank (meaning a post-conversion Shinkin Bank as prescribed in Article 56, paragraph (1), item (i) of the Mergers and Conversions Act; the same applies in the following paragraph) seeks to issue book-entry transfer preferred equity investment to the shareholders of the ordinary commercial bank undergoing the conversion at the time of the conversion. In such a case, the words set forth in the right-hand column of the following table are deemed to replace the words set forth in the middle column of that table in the provisions set forth in the left-hand column thereof, and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

Article 138, first sentence of paragraph (1)	effective date or date of incorporation	effective date (meaning the effective date as prescribed in Article 56, paragraph (1), item (ix) of the Act on Mergers and Conversions of Financial Institutions; the same applies hereinafter)
Article 138, paragraph (1), item (iii)	total number of	total number of units of
Article 138, paragraph (1), item (iv)	effective date or date of incorporation	effective date
Article 138, paragraph (1), item (vii)	total number	total number of units
Article 138, paragraph (3)	effective date or date of incorporation	effective date
Article 138, paragraph (3), item (i)	of the number	of the number of units

(4) The provisions of Article 160, paragraph (3) apply mutatis mutandis if there is a plan to issue book-entry transfer preferred equity investment pursuant to the provisions of the preceding paragraph but the post-conversion Shinkin Bank seeks to issue equity investment, etc. other than book-entry transfer preferred equity investment to the shareholders of the ordinary commercial bank undergoing the conversion at the time of the conversion or the post-conversion Shinkin Bank decides not to allot equity investment, etc. to a certain class of shareholders in the ordinary commercial bank undergoing the conversion at the time of the conversion. In such a case, the phrase "effective date or date of incorporation" in paragraph (3) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 56, paragraph (1), item (ix) of the Act on Mergers and Conversions of Financial Institutions)"; and beyond this, Cabinet Order provides for the necessary technical replacement of terms.

## **Section 2 Effecting Book Entries for Entity Conversions under the Insurance Business Act**

(Creating Entries or Records for a Merger of Insurance Companies)

Article 263 The provisions of Article 138, paragraphs (1) to (5) apply mutatis mutandis if shares in the stock companies disappearing in a consolidation-type merger (meaning the stock companies disappearing in a consolidation-type

merger as prescribed in Article 163, paragraph (1), item (i) of that Act; hereinafter the same applies in this Section) are Book-Entry Transfer Shares and the stock company incorporated in the consolidation-type merger (meaning a stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act; hereinafter the same applies in this Section) seeks to issue Book-Entry Transfer Shares to the shareholders of the stock companies disappearing in the consolidation-type merger at the time of the consolidation-type merger (meaning a consolidation-type merger as prescribed in Article 161 of that Act; hereinafter the same applies in this Section). In such a case, the phrase "effective date or date of incorporation" in Article 138, paragraphs (1) and (3) is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning the stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

Article 264 (1) The provisions of Article 160, paragraph (1) apply mutatis mutandis if shares in the stock companies disappearing in a consolidation-type merger are not Book-Entry Transfer Shares and the stock company incorporated in the consolidation-type merger seeks to issue Book-Entry Transfer Shares to the shareholders of the stock companies disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning the stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

(2) The provisions of Article 160, paragraph (1) apply mutatis mutandis if the stock company surviving an absorption-type merger (meaning the stock company surviving an absorption-type merger as prescribed in Article 164, paragraph (1), item (i) of the Insurance Business Act; hereinafter the same applies in this Section) seeks to issue Book-Entry Transfer Shares to the members of the mutual company disappearing in the absorption-type merger (meaning the mutual company disappearing in an absorption-type merger as prescribed in Article 160, item (i) of that Act; hereinafter the same applies in this Section) at the time of the absorption-type merger (meaning the absorption-type merger prescribed in Article 160 of that Act) or the stock company incorporated in the consolidation-type merger seeks to issue Book-Entry Transfer Shares to the members of the mutual company disappearing in the consolidation-type merger (meaning the mutual company disappearing in a consolidation-type merger as prescribed in Article 161, item (i) of that Act) at

the time of the consolidation-type merger; and the provisions of Article 160, paragraph (2) apply mutatis mutandis if the stock company surviving an absorption-type merger seeks to transfer Book-Entry Transfer Shares to the members of the mutual company disappearing in the absorption-type merger. In such a case, the phrase "effective date or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date of the absorption-type merger (meaning an absorption-type merger as prescribed in Article 160 of the Insurance Business Act; the same applies in the following paragraph) or the incorporation date of the stock company incorporated in the consolidation-type merger (meaning the stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of that Act)" and the phrase "effective date or date of incorporation" under paragraph (2) of that Article is deemed to be replaced with "day on which the absorption-type merger takes effect".

(3) The provisions of Article 189, paragraph (1) apply mutatis mutandis if the stock company incorporated in a consolidation-type merger seeks to issue Book-Entry Transfer Share Options at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning the stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

(4) The provisions of Article 223, paragraph (1) apply mutatis mutandis if the stock company incorporated in a consolidation-type merger seeks to issue Book-Entry Transfer Bonds with Share Options at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning the stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

Article 265 (1) The provisions of Article 160, paragraph (3) apply mutatis mutandis if shares in the stock companies disappearing in a consolidation-type merger are Book-Entry Transfer Shares but the stock company incorporated in a consolidation-type merger seeks to issue shares other than Book-Entry Transfer Shares to the shareholders of the stock companies disappearing in the consolidation-type merger at the time of the consolidation-type merger or the stock company incorporated in the consolidation-type merger decides not to allot shares to a certain class of shareholders in the stock companies disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation"



in that paragraph is deemed to be replaced with "incorporation date of the stock company incorporated in the consolidation-type merger (meaning the stock company incorporated in a consolidation-type merger as prescribed in Article 165, paragraph (1), item (ii) of the Insurance Business Act)".

- (2) The provisions of Article 160, paragraph (3) apply mutatis mutandis if shares in the stock company disappearing in an absorption-type merger or in the stock companies disappearing in a consolidation-type merger are Book-Entry Transfer Shares and the mutual company surviving the absorption-type merger (meaning the mutual company surviving an absorption-type merger as prescribed in Article 160, item (i) of the Insurance Business Act) seeks to compensate the shareholders of the stock company disappearing in the absorption-type merger (meaning the stock company disappearing in an absorption-type merger as prescribed in Article 162, item (i) of the Insurance Business Act; hereinafter the same applies in this paragraph) at the time of the absorption-type merger or the mutual company incorporated in the consolidation-type merger (meaning the mutual company incorporated in a consolidation-type merger as prescribed in Article 161, item (ii) of that Act) seeks to compensate the shareholders of the stock companies disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "effective date of the absorption-type merger (meaning an absorption-type merger as prescribed in Article 160 of the Insurance Business Act) or the incorporation date of the mutual company incorporated in the consolidation-type merger (meaning the mutual company incorporated in a consolidation-type merger as prescribed in Article 161, item (ii) of that Act)".
- (3) The provisions of Article 189, paragraph (3) apply mutatis mutandis if a stock company conducting insurance business and issuing Book-Entry Transfer Share Options seeks to effect a consolidation-type merger. In such a case, the phrase "of the company" in that paragraph is deemed to be replaced with "of the stock company or mutual company".
- (4) The provisions of Article 223, paragraph (3) apply mutatis mutandis if a stock company conducting insurance business and issuing Book-Entry Transfer Bonds with Share Options seeks to effect a consolidation-type merger. In such a case, the phrase "of the company" in that paragraph is deemed to be replaced with "of the stock company or mutual company".

(Special Provisions of the Insurance Business Act on the Exercise of Appraisal Rights on Shares during a Merger of Insurance Companies)

Article 266 If a holder of Book-Entry Transfer Shares exercises its appraisal rights on those Book-Entry Transfer Shares pursuant to the provisions of

Article 797, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 165-5, paragraph (1) or Article 165-12 of the Insurance Business Act, the disappearing stock company (meaning a disappearing stock company as prescribed in Article 165-2, paragraph (1) of the Insurance Business Act; hereinafter the same applies in this Article to Article 268) or the stock company surviving the absorption-type merger may demand that, in exchange for its paying for the Book-Entry Transfer Shares, the shareholder file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Shares using the account of the disappearing stock company or the stock company surviving the absorption-type merger as the transferee account.

(Special Provisions of the Insurance Business Act on the Exercise of Appraisal Rights on Share Options during a Merger of Insurance Companies)

Article 267 If a holder of Book-Entry Transfer Share Options exercises its appraisal rights on those Book-Entry Transfer Share Options pursuant to the provisions of Article 165-6, paragraph (1) of the Insurance Business Act, the disappearing stock company may demand that, in exchange for its paying for the Book-Entry Transfer Share Options, the holder of the Book-Entry Transfer Share Options file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Share Options using the account of the disappearing stock company as the transferee account.

(Issuing Public Notice to Shareholders during a Merger of Insurance Companies)

Article 268 Notwithstanding the provisions of Article 165-4, paragraph (1) of the Insurance Business Act (including as applied mutatis mutandis pursuant to Article 165-12 of that Act), in lieu of notifying the relevant persons as under those provisions, the disappearing stock company or the stock company surviving the absorption-type merger must issue public notice of the information of which it is required to notify those persons.

(Creating Entries or Records for a Share Exchange or Share Transfer during the Entity Conversion of an Insurance Company)

Article 269 The provisions of Article 160, paragraph (1) apply mutatis mutandis if the wholly owning parent company resulting from a share exchange on entity conversion (meaning the wholly owning parent company resulting from a share exchange on entity conversion as prescribed in Article 96-5, paragraph (1) of the Insurance Business Act; hereinafter the same applies in this Article) seeks to issue Book-Entry Transfer Shares to the members of the mutual company undergoing the entity conversion (meaning an entity conversion as prescribed

in Article 68, paragraph (2) of that Act; hereinafter the same applies in this Article) at the time of the share exchange on entity conversion (meaning a share exchange on entity conversion as prescribed in Article 96-5, paragraph (1) of that Act; hereinafter the same applies in this Article) or if the wholly owning parent company resulting from a share transfer on entity conversion (meaning the wholly owning parent company resulting from a share transfer on entity conversion as prescribed in Article 96-8, paragraph (1) of that Act) seeks to issue Book-Entry Transfer Shares to the members of the mutual company undergoing the entity conversion at the time of the share transfer on entity conversion (meaning a share transfer on entity conversion as prescribed in Article 96-8, paragraph (1) of that Act); and the provisions of Article 160, paragraph (2) apply mutatis mutandis if the wholly owning parent company resulting from a share exchange on entity conversion seeks to transfer Book-Entry Transfer Shares to the members of the mutual company undergoing the entity conversion at the time of the share exchange on entity conversion. In such a case, the phrase "effective date or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 69, paragraph (4), item (v) of the Insurance Business Act; the same applies in the following paragraph) or the incorporation date of the wholly owning parent company resulting from a share transfer on entity conversion (meaning the wholly owning parent company resulting from a share transfer on entity conversion as prescribed in Article 96-8, paragraph (1) of that Act)" and the phrase "effective date or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "the effective date".

### **Section 3 Effecting Book Entries for Mergers under the Financial Instruments and Exchange Act**

(Creating Entries or Records for a Merger of Financial Instruments Exchanges)  
Article 270 The provisions of Article 138, paragraphs (1) to (5) apply mutatis mutandis if shares in the stock-company-operated financial instruments exchanges disappearing in a consolidation-type merger (meaning the stock-company-operated financial instruments exchanges disappearing in a consolidation-type merger as prescribed in Article 139-2, paragraph (1), item (i) of the Financial Instruments and Exchange Act; hereinafter the same applies in this Section) are Book-Entry Transfer Shares and the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger (meaning the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger as prescribed in Article 139-2, paragraph (1), item (ii) of that Act; hereinafter the same applies in this

Section) seeks to issue Book-Entry Transfer Shares to the shareholders of the stock-company-operated financial instruments exchanges disappearing in the consolidation-type merger at the time of the consolidation-type merger (meaning a consolidation-type merger as prescribed in Article 136, paragraph (2) of that Act; hereinafter the same applies in this Section). In such a case, the phrase "effective date or date of incorporation" in Article 138, paragraphs (1) and (3) is deemed to be replaced with "incorporation date of the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger (meaning the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger as prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".

Article 271 (1) The provisions of Article 160, paragraph (1) apply mutatis mutandis if shares in the stock-company-operated financial instruments exchanges disappearing in a consolidation-type merger are not Book-Entry Transfer Shares but the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger seeks to issue Book-Entry Transfer Shares to the shareholders of the stock-company-operated financial instruments exchanges disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger (meaning the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger as prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".

(2) The provisions of Article 160, paragraph (1) apply mutatis mutandis to the case if the stock-company-operated financial instruments exchange surviving an absorption-type merger (meaning the stock-company-operated financial instruments exchange surviving an absorption-type merger as prescribed in Article 139, item (i) of the Financial Instruments and Exchange Act; hereinafter the same applies in this Section) seeks to issue Book-Entry Transfer Shares to the members of the mutually owned financial instruments exchange disappearing in the absorption-type merger (meaning the mutually owned financial instruments exchange disappearing in a absorption-type merger as prescribed in Article 137, item (i) of that Act; hereinafter the same applies in this Section) at the time of the absorption-type merger (meaning an absorption-type merger as prescribed in Article 136, paragraph (2) of that Act; hereinafter the same applies in this Section) or if the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger seeks to issue Book-Entry Transfer Shares to the members of the mutually

owned financial instruments exchanges disappearing in the consolidation-type merger (meaning the mutually owned financial instruments exchanges disappearing in a consolidation-type merger as prescribed in Article 138, item (i) of that Act) at the time of the consolidation-type merger; and the provisions of Article 160, paragraph (2) apply mutatis mutandis if the stock-company-operated financial instruments exchange surviving an absorption-type merger seeks to transfer Book-Entry Transfer Shares to the partners of the mutually owned financial instruments exchange disappearing in the absorption-type merger at the time of the absorption-type merger. In such a case, the phrase "effective date or date of incorporation" in paragraph (1) of that Article is deemed to be replaced with "effective date (meaning the effective date as prescribed in Article 137, item (ii) of the Financial Instruments and Exchange Act; the same applies in the following paragraph) or the incorporation date of the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger (meaning the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger as prescribed in Article 139-2, paragraph (1), item (ii) of that Act)" and the phrase "effective date or date of incorporation" in paragraph (2) of that Article is deemed to be replaced with "effective date".

(3) The provisions of Article 189, paragraph (1) apply mutatis mutandis if the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger seeks to issue Book-Entry Transfer Share Options at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger (meaning the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger as prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".

(4) The provisions of Article 223, paragraph (1) apply mutatis mutandis if the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger seeks to issue Book-Entry Transfer Bonds with Share Options at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger (meaning the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger as prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".

Article 272 (1) The provisions of Article 160, paragraph (3) apply mutatis

mutandis if shares in the stock-company-operated financial instruments exchanges disappearing in a consolidation-type merger are Book-Entry Transfer Shares but the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger seeks to issue shares that are not Book-Entry Transfer Shares to the shareholders of the stock-company-operated financial instruments exchanges disappearing in the consolidation-type merger at the time of the consolidation-type merger, or the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger decides not to allot shares to a certain class of shareholders in the stock-company-operated financial instruments exchanges disappearing in the consolidation-type merger at the time of the consolidation-type merger. In such a case, the phrase "effective date or date of incorporation" in that paragraph is deemed to be replaced with "incorporation date of the stock-company-operated financial instruments exchange incorporated in the consolidation-type merger (meaning the stock-company-operated financial instruments exchange incorporated in a consolidation-type merger as prescribed in Article 139-2, paragraph (1), item (ii) of the Financial Instruments and Exchange Act)".

(2) The provisions of Article 189, paragraph (3) apply mutatis mutandis if a stock-company-operated financial instruments exchange (meaning a stock-company-operated financial instruments exchange as prescribed in Article 2, paragraph (18) of the Financial Instruments and Exchange Act; the same applies in the following paragraph) issuing Book-Entry Transfer Share Options seeks to effect a consolidation-type merger. In such a case, the phrase "of the company" in Article 189, paragraph (3) is deemed to be replaced with "of the stock-company-operated financial instruments exchange (meaning a stock-company-operated financial instruments exchange as prescribed in Article 2, paragraph (18) of the Financial Instruments and Exchange Act)".

(3) The provisions of Article 223, paragraph (3) apply mutatis mutandis if a stock-company-operated financial instruments exchange issuing Book-Entry Transfer Bonds with Share Options seeks to effect a consolidation-type merger. In such a case, the phrase "of the company" in that paragraph is deemed to be replaced with "of the stock-company-operated financial instruments exchange (meaning a stock-company-operated financial instruments exchange as prescribed in Article 2, paragraph (18) of the Financial Instruments and Exchange Act)".

(Special Provisions of the Financial Instruments and Exchange Act on the Exercise of Appraisal Rights on Shares during a Merger of Financial Instruments Exchanges)

Article 273 If a holder of Book-Entry Transfer Shares exercises its appraisal

rights on those Book-Entry Transfer Shares pursuant to the provisions of Article 139-11, paragraph (1) or Article 139-17, paragraph (1) of the Financial Instruments and Exchange Act, the stock-company-operated financial instruments exchange surviving the absorption-type merger or a stock-company-operated financial instruments exchange disappearing in the consolidation-type merger may demand that, in exchange for its paying for the Book-Entry Transfer Shares, the shareholder file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Shares using the account of the stock-company-operated financial instruments exchange surviving the absorption-type merger or stock-company-operated financial instruments exchanges disappearing in the consolidation-type merger as the transferee account.

(Special Provisions of the Financial Instruments and Exchange Act on the Exercise of Appraisal Rights on Share Options during a Merger of Financial Instruments Exchanges)

Article 274 If a holder of Book-Entry Transfer Share Options exercises its appraisal rights on those Book-Entry Transfer Share Options pursuant to the provisions of Article 139-18, paragraph (1) of the Financial Instruments and Exchange Act, a stock-company-operated financial instruments exchange disappearing in the consolidation-type merger may demand that, in exchange for its paying for the Book-Entry Transfer Share Options, the holder of the Book-Entry Transfer Share Options file an application with its Immediately Superior Institution to make book entries for the Book-Entry Transfer Share Options using the account of the stock-company-operated financial instruments exchange disappearing in the consolidation-type merger as the transferee account.

(Issuing Public Notice to Shareholders during a Merger of Financial Instruments Exchanges)

Article 275 Notwithstanding the provisions of Article 139-10, paragraph (1) or Article 139-16, paragraph (1) of the Financial Instruments and Exchange Act, in lieu of notifying the relevant persons as under those provisions, the stock-company-operated financial instruments exchange surviving the absorption-type merger or the stock-company-operated financial instruments exchanges disappearing in the consolidation-type merger must issue public notice of the information of which they are required to notify those persons.

## **Chapter XII Book-Entry Transfer of Other Rights Required to Be Indicated on Securities**

Article 276 The provisions that each of the following items prescribes apply mutatis mutandis to the book-entry transfer of the securities or rights set forth in the item which are also as set forth in Article 2, paragraph (1), item (xxi). Cabinet Order provides for the necessary technical replacement of terms in such a case:

- (i) securities or rights that Cabinet Order prescribes as being equivalent to what is set forth in Article 2, paragraph (1), item (i): the provisions of Chapter IV;
- (ii) securities or rights that Cabinet Order prescribes as being equivalent to what is set forth in Article 2, paragraph (1), item (xii): the provisions of Chapter VII;
- (iii) securities or rights that Cabinet Order prescribes as being equivalent to what is set forth in Article 2, paragraph (1), item (xiii): the provisions of Chapter VIII;
- (iv) securities or rights that Cabinet Order prescribes as being equivalent to what is set forth in Article 2, paragraph (1), item (xiv): the provisions of Chapter IX.

### **Chapter XIII Miscellaneous Provisions**

(Demands by Participants for Information Entered or Recorded in the Book-Entry Transfer Account Register)

Article 277 A Participant may demand that its Immediately Superior Institution issue it a paper-based document certifying the information entered or recorded in the Participant's account in the book-entry transfer account register maintained by that Immediately Superior Institution or that it provide the Participant with data that gives this information by an electronic or magnetic means specified by Ordinance of the Competent Ministry, paying the cost determined by the Immediately Superior Institution. The same applies to a person that Cabinet Order prescribes as constituting an interested party with a stake in the account, if it has a legitimate reason for doing so.

(Depositing of Book-Entry Transfer Bonds)

Article 278 (1) A person depositing securities or rights set forth in Article 2, paragraph (1), items (i) to (x) inclusive and (xi) which are handled by a Book-Entry Transfer Institution (hereinafter referred to as "book-entry transfer bonds" in this Article) pursuant to the provisions of laws and regulations or to the provisions of the Public Offices Election Act (Act No. 100 of 1950) as collateral or as a guarantee must submit a deposit statement to a deposit office (meaning a deposit office as prescribed in Article 1 of the Deposit Act (Act No. 15 of 1899); hereinafter the same applies in this Article) and apply for a book-



entry transfer to be made as referred to in Article 70, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124 and Article 127) or Article 95, paragraph (1) so that an entry or record as referred to in Article 69, paragraph (2), item (i), sub-item (a) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124 and Article 127) or Article 92, paragraph (2), item (i) is created in the holdings column of the account of the deposit office in the book-entry transfer account register, showing an increase equal to that amount or number of book-entry transfer bonds.

- (2) If principal is redeemed or interest or a dividend is paid to a deposit office for a deposited book-entry transfer bond, the redemption money, interest or dividend is to be kept by the deposit office as a substitute or supplement to the book-entry transfer bond. In such a case, if the book-entry transfer bond has been deposited in lieu of a security deposit, the depositor may ask to have the interest or dividend paid over to it.
- (3) If a corporate bond certificate or other certificate is issued to a deposit office for a book-entry transfer bond deposited with it pursuant to the provisions of Article 67, paragraph (2) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124 and Article 127) or if a Japanese government bond certificate is issued pursuant to the provisions of Article 89, paragraph (2), the deposit office must keep the corporate bond certificate or other certificate or the Japanese government bond certificate as a substitute for the book-entry transfer bond.
- (4) The provisions of Articles 1-2 to 1-8 and 8 of the Deposit Act apply mutatis mutandis to the preceding three paragraphs and the provisions of Article 3 of that Act apply mutatis mutandis pursuant to the first sentence of paragraph (2). In such a case, the phrase "in accordance with the provisions of Article 496 of the Civil Code and the deposit has been made erroneously" in Article 8, paragraph (2) of that Act is deemed to be replaced with "the deposit has been made erroneously".
- (5) Beyond what is provided for in the preceding paragraphs, Ordinance of the Competent Ministry provides for particulars concerning the deposit of book-entry transfer bonds.

(Compensation for Losses of Book-Entry Transfer Bonds and Other Securities Constituting Trust Property)

Article 279 The provisions of Article 24, paragraph (1), item (iv) of the Trust Business Act do not apply to a Bond or Other Security that a trust company or financial institution engaged in trust business holds as trust property and that

a Book-Entry Transfer Institution handles (hereinafter referred to as a "book-entry transfer bond or other security" in this and the following Articles), if the account of that company or institution which is associated with the book-entry transfer bond or other security has been opened by a Book-Entry Transfer or Account Management Institution that bears a duty of payment (meaning a duty as referred to in Article 80, paragraph (2) or Article 81, paragraph (2) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 105, paragraph (2); Article 106, paragraph (2); Article 109, paragraph (3) or Article 110, paragraph (3); Article 127-23, paragraph (2) or Article 127-24, paragraph (2); Article 147, paragraph (2) or Article 148, paragraph (2) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 181, paragraph (2) or Article 182, paragraph (2) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); or Article 212, paragraph (2) or Article 213, paragraph (2) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); hereinafter the same applies in this Article) or by the Subordinate Institution of that Book-Entry Transfer or Account Management Institution, and compensation is paid for losses that the trust property incurs due to the Book-Entry Transfer or Account Management Institution's or its Subordinate Institution's non-performance of the duty of payment.

(Delegation to Supreme Court Rules)

Article 280 Rules of the Supreme Court provide for the necessary particulars in connection with compulsory executions, execution of provisional seizures and provisional dispositions, auctions, and injunctions in anticipation of confiscation as regards book-entry transfer bonds and other securities.

(Consultation with Minister of Finance)

Article 281 The competent minister must consult with the Minister of Finance in advance regarding the necessary measures for ensuring the smooth distribution of securities if it is found that the rescission of a Book-Entry Transfer Institution's Article 3, paragraph (1) designation pursuant to the provisions of Article 22, paragraph (1) is likely to have a significant impact on the distribution of securities.

(Notifying the Minister of Finance)

Article 282 (1) Upon reaching the following dispositions, the competent minister must promptly notify the Minister of Finance:

- (i) a designation under the provisions of Article 3, paragraph (1) (this includes if a person is deemed to have been granted a designation pursuant to the provisions of paragraph (5) of Article 25, 27, 29 or 31);
  - (ii) the rescission of an Article 3, paragraph (1) designation pursuant to the provisions of Article 22, paragraph (1).
- (2) Upon receipt of a notice under Article 41, paragraph (2), the competent minister must promptly notify the Minister of Finance.

(Submission of Materials to the Minister of Finance)

Article 283 The Minister of Finance may ask the Prime Minister to submit the necessary materials and to provide explanations upon finding it to be particularly necessary to do so in order to plan or frame a system for the book-entry transfer of Bonds or Other Securities as it relates to failure resolution systems and financial crisis management under the jurisdiction of the Minister of Finance.

(Delegation to Ordinance of the Competent Ministry)

Article 284 Beyond what is provided for in this Act, Ordinance of the Competent Ministry prescribes the necessary particulars for implementing this Act.

(Competent Minister and Ordinances of the Competent Ministry)

- Article 285 (1) The Prime Minister and Minister of Justice are the competent ministers referred to in Article 2, paragraph (2), Article 3; Article 4, paragraph (1); Article 6; Article 9; Article 10, paragraph (1); Article 16, paragraph (1); Article 17 (excluding matters concerning the participant protection trust); Article 18; Article 19; Article 20, paragraph (1); Articles 21 to Article 23 inclusive; Article 25, paragraphs (1), (2) and (4); Article 27, paragraphs (1), (2) and (4); Article 29, paragraphs (1), (2) and (4); Article 31, paragraphs (1), (2) and (4); Article 40; Article 41, paragraphs (2) and (3); Article 43; Article 281; and Article 282; provided, however, that the Prime Minister, Minister of Justice, and the Minister of Finance are the competent ministers as regards matters relating to a Book-Entry Transfer Institution that handles Japanese government bonds.
- (2) The Prime Minister, Minister of Justice, and Minister of Finance are the competent ministers referred to in Article 17 (but only for matters relating to participant protection trusts), Article 44, paragraph (1), item (xiii); Article 47, paragraphs (1) and (2); Article 4, paragraph (1) as applied mutatis mutandis pursuant to Article 47, paragraph (3); Article 49; Article 31, paragraphs (1), (2) and (4) as applied mutatis mutandis pursuant to Article 50; Article 55, paragraph (2); Article 57; Article 58; Article 59, paragraph (4); and Article 63, paragraph (2).

- (3) Cabinet Office Ordinance and ordinance of the Ministry of Justice are the Ordinances of the Competent Ministry referred to in Article 4, paragraph (2), item (vii) and paragraph (3), Article 6; Article 9; Article 10, paragraph (1); Article 11, paragraph (1), item (vii) and paragraph (2); Article 15; Article 16, paragraph (2); Article 18, paragraph (1); Article 19; Article 25, paragraph (3); Article 27, paragraph (3); Article 29, paragraph (3); Article 31, paragraph (3); Article 34, paragraph (3); Article 36, paragraph (2); the Companies Act, Article 302, paragraphs (3) and (4) and Article 312, paragraphs (1) and (5) as applied mutatis mutandis pursuant to Article 36, paragraph (4); the Companies Act, Article 310, paragraph (3), Article 314 and Article 731, paragraph (1) as applied mutatis mutandis pursuant to Article 39; and Article 41, paragraph (2); provided, however, that Cabinet Office Ordinance and ordinance of the Ministry of Justice and Ministry of Finance are the Ordinances of the Competent Ministry as regards matters relating to a Book-Entry Transfer Institution that handles Japanese government bonds.
- (4) Cabinet Office Ordinance and ordinance of the Ministry of Justice and Ministry of Finance are the Ordinances of the Competent Ministry referred to in Article 44, Article 4, paragraph (2), item (vii) as applied mutatis mutandis pursuant to Article 47, paragraph (3); Article 31, paragraph (3) as applied mutatis mutandis pursuant to Article 50; Article 56, item (viii); Article 57; Article 58; Article 60, paragraph (1); Article 62, paragraph (1); Article 63, paragraph (1); Article 91, paragraph (6); and Article 92, paragraph (1), item (v).
- (5) Cabinet Office Ordinance and ordinance of the Ministry of Justice are the Ordinances of the Competent Ministry referred to in Article 68, paragraph (6), Article 69, paragraph (1), item (vii) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 69-2, paragraph (1) (including as applied mutatis mutandis pursuant to Article 276, item (i)); Article 70-2, paragraph (2) (including as applied mutatis mutandis pursuant to Article 276, item (i)); Article 127-4, paragraph (6); Article 127-5, paragraph (1), item (viii); Article 127-6, paragraph (1); Article 127-8, paragraph (2); Article 127-13, paragraph (1), item (vii); Article 127-14, paragraph (1), item (vii); Article 127-27, paragraph (3); Article 129, paragraph (6) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 130, paragraph (1), item (ix) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 131, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 133, paragraph (2) (including as applied mutatis mutandis

pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 138, paragraph (1), item (vii) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)); Article 151, paragraph (1) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 151, paragraph (2), item (i) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 151, paragraph (3) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 151, paragraph (7) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 152, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 154, paragraph (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 159, paragraph (2) (including as applied mutatis mutandis pursuant to Article 235, paragraph (1) and Article 276, item (ii)); Article 165, paragraph (6) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 166, paragraph (1), item (ix) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 167, paragraph (1) (including as applied mutatis mutandis pursuant to Article 276, item (iii)); Article 169, paragraph (2) (including as applied mutatis mutandis pursuant to Article 276, item (iii)); Article 186, paragraph (1) (including as applied mutatis mutandis pursuant to Article 186, paragraph (5) (including as applied mutatis mutandis pursuant to Article 276, item (iii)) and Article 276, item (iii)); Article 194, paragraph (6) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 195, paragraph (1), item (ix) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article

276, item (iv)); Article 196, paragraph (1) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 198, paragraph (2) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 202, paragraph (3), item (iii) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 203, paragraph (3), item (iv) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 218, paragraph (1) (including as applied mutatis mutandis pursuant to Article 218, paragraph (5) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv)); Article 159, paragraph (2) as applied mutatis mutandis pursuant to Article 228 following the deemed replacement of terms; and Article 159, paragraph (2) and Article 277 as applied mutatis mutandis pursuant to Article 239 following the deemed replacement of terms.

(6) Ordinance of the Ministry of Justice is the Ordinance of the Competent Ministry referred to in Article 278, paragraphs (1) and (5).

(7) Cabinet Office Ordinance and ordinance of the Ministry of Justice are the Ordinances of the Competent Ministry referred to in the preceding Article; provided, however, that Cabinet Office Ordinance and ordinance of the Ministry of Justice and Ministry of Finance are Ordinances of the Competent Ministry as regards matters relating to the Book-Entry Transfer Institution handling Japanese government bonds, Japanese government bonds and participant protection trusts.

(Delegation of Authority)

Article 286 (1) The Prime Minister delegates the authority under this Act (other than what is specified by Cabinet Order) to the Commissioner of the Financial Services Agency.

(2) The Commissioner of the Financial Services Agency, pursuant to the provisions of Cabinet Order may delegate the authority under the provisions of Article 20, paragraph (1) (including as applied mutatis mutandis pursuant to Article 43, paragraph (3) and it is applied through a deemed replacement of terms pursuant to Article 48) with which the commissioner has been delegated pursuant to the preceding paragraph, to the Securities and Exchange Surveillance Commission (hereinafter referred to as the "Commission").

(3) On exercising the authority with which it has been delegated pursuant to the provisions of the preceding paragraph, the Commission must promptly report the results thereof to the Commissioner of the Financial Services Agency.

(Appeal against the Commission's Order)

Article 287 A person may file an appeal under the Administrative Appeals Act (Act No. 160 of 1962) against an order to give a report or submit materials that

the Commission issues pursuant to paragraph (2) of the preceding Article only against the Commission.

#### **Chapter XIV Penal Provisions**

Article 288 (1) A person acceding to an unlawful request and accepting an economic benefit to make a statement or exercise a voting right at a Participants' Meeting, or a person soliciting or agreeing to such a benefit, is subject to imprisonment with required labor for a period of no longer than five years, a fine of not more than 5,000,000 yen, or both.

(2) A person providing an economic benefit as referred to in the preceding paragraph or offering or agreeing to such a benefit is also subject to that paragraph.

(3) In a case as referred to in paragraph (1), any economic benefit that the offender accepts is confiscated. If all or part of this cannot be confiscated, an equivalent value is collected.

Article 289 A person falling under one of the following items is subject to imprisonment with required labor for no longer than three years, a fine of no more than 3,000,000 yen, or both:

(i) a person not creating an entry or record for information that it is required to enter or record in a book-entry transfer account register, thereby violating the provisions of Article 92, paragraph (2) as it applies through a deemed replacement of terms pursuant to Article 48 (including as applied *mutatis mutandis* pursuant to paragraph (3) of that Article) or paragraph (1) of Article 93, 94, 95 or 96;

(ii) a person not creating an entry or record for information that it is required to enter or record in a book-entry transfer account register, thereby violating the provisions of Article 69, paragraph (2) (including as applied *mutatis mutandis* pursuant to Article 69, paragraph (3) (including as applied *mutatis mutandis* pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i))); Article 70, paragraph (1); Article 71, paragraph (1); Article 72; Article 78, paragraph (5); Article 79, paragraph (5) (including as applied *mutatis mutandis* pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 121-2, paragraph (4) or (5); Article 122-2, paragraph (4) or (5); or Article 124-2, paragraph (4) or (5);

(iii) a person not creating an entry or record for information that it is required to enter or record in a book-entry transfer account register, thereby violating the provisions of Article 92, paragraph (2) (including as applied *mutatis*

- mutandis pursuant to Article 92, paragraph (3)); Article 93, paragraph (1); Article 94, paragraph (1); Article 95, paragraph (1); Article 96, paragraph (1); Article 97; Article 103, paragraph (5); Article 104, paragraph (5); Article 107, paragraph (6); or Article 108, paragraph (5);
- (iii)-2 a person not creating an entry or record for information that it is required to enter or record in a book-entry transfer account register, thereby violating the provisions of Article 127-5, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-5, paragraph (3)); Article 127-7, paragraph (1); Article 127-9, paragraph (1); Article 127-10, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-10, paragraph (4)); Article 127-11, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-11, paragraph (4)) and paragraph (5); Article 127-12, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-12, paragraph (4)) and paragraph (5); Article 127-13, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-13, paragraph (4)) and paragraph (5); Article 127-14, paragraph (3) (including as applied mutatis mutandis pursuant to Article 127-14, paragraph (4)) and paragraph (5); Article 127-15; Article 127-21, paragraph (5); or Article 127-22, paragraph (5);
- (iv) a person not creating an entry or record for information that it is required to enter or record in a book-entry transfer account register, thereby violating the provisions of Article 130, paragraph (2) (including as applied mutatis mutandis pursuant to Article 130, paragraph (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)) Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 132, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 134, paragraph (1) (including as applied mutatis mutandis pursuant to Article 235, paragraph (1) and Article 276, item (ii)); Article 135, paragraph (3) (including as applied mutatis mutandis pursuant to Article 135, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 136, paragraph (3) (including as applied mutatis mutandis pursuant to Article 136, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 136, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239,



paragraph (1) and Article 276, item (ii)); Article 137, paragraph (3) (including as applied mutatis mutandis pursuant to Article 137, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 137, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 138, paragraph (3) (including as applied mutatis mutandis pursuant to Article 138, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)); Article 138, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)); Article 139 (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 145, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 146, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 230, paragraph (2); Article 240, paragraph (2); Article 241, paragraph (3) (including as applied mutatis mutandis pursuant to Article 241, paragraph (4)); Article 242, paragraph (3) (including as applied mutatis mutandis pursuant to Article 242, paragraph (4)) or Article 242, paragraph (5);

(v) a person not creating an entry or record for information that it is required to enter or record in a book-entry transfer account register, thereby violating the provisions of Article 166, paragraph (2) (including as applied mutatis mutandis pursuant to Article 166, paragraph (3) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)), Article 249, paragraph (1) and Article 276, item (iii)); Article 168, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 170, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 171, paragraph (3) (including as applied mutatis mutandis pursuant to Article 171, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iii)) and Article 276, item (iii)); Article 172 (including as applied mutatis mutandis pursuant

- to Article 249, paragraph (1) and Article 276, item (iii)); Article 173 (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 179, paragraph (5) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); or Article 180, paragraph (5) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii));
- (vi) a person not creating an entry or record for information that it is required to enter or record in a book-entry transfer account register, thereby violating the provisions of Article 195, paragraph (2) (including as applied mutatis mutandis pursuant to Article 195, paragraph (3) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)), Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 197, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 199, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 200, paragraph (3) (including as applied mutatis mutandis pursuant to Article 200, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv)); Article 201 (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 202, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 203, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 204 (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 210, paragraph (6) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); or Article 211, paragraph (5) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv));
- (vii) a person creating a false entry or record in a book-entry transfer account register.

**Article 290** A person falling under one of the following items is subject to imprisonment with required labor for no longer than two years, a fine of no more than 3,000,000 yen, or both:

- (i) a person violating a business suspension order under Article 22, paragraph (1) (including as applied through a deemed replacement of terms pursuant to the provisions of Article 48);

(ii) a person failing to notify or report to the relevant person, or a person falsely notifying or reporting information to the relevant person, thereby violating the provisions of Article 151, paragraph (1) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 151, paragraph (6) (including as applied mutatis mutandis pursuant to Article 151, paragraph (8) and Article 154, paragraph (5) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 154, paragraph (3) (including the cases where the it is applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 186, paragraph (1) (including as applied mutatis mutandis pursuant to Article 186, paragraph (5) (including as applied mutatis mutandis pursuant to Article 276, item (iii)) and Article 276, item (iii)); Article 186, paragraph (4) (including as applied mutatis mutandis pursuant to Article 186, paragraph (5) (including as applied mutatis mutandis pursuant to Article 276, item (iii)) and Article 276, item (iii)); or Article 218, paragraph (1) or (4) (including as applied mutatis mutandis pursuant to Article 218, paragraph (5) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv)).

Article 291 A person falling under one of the following items is subject to imprisonment with required labor for no longer than one year, a fine of no more than 3,000,000 yen, or both:

- (i) a person making a false entry in the application referred to in Article 4, paragraph (1) (including as applied mutatis mutandis pursuant to Article 47, paragraph (3)), Article 25, paragraph (2), Article 27, paragraph (2), Article 29, paragraph (2) or Article 31, paragraph (2) or the paper document referred to in Article 4, paragraph (2) (including as applied mutatis mutandis pursuant to Article 47, paragraph (3)); making a false record in the electronic or magnetic record that is required to accompany the relevant article in lieu of the paper document; or making a false entry or record in a paper-based document or electronic or magnetic record as referred to in Article 25, paragraph (3), Article 27, paragraph (3), Article 29, paragraph (3) or Article 31, paragraph (3) and submitting it;
- (ii) a person failing to prepare or keep a record as under Article 15, or a person preparing a false record;

- (iii) a person failing to submit a written report under the provisions of Article 16, paragraph (1) (including as applied through a deemed replacement of terms pursuant to the provisions of Article 48), or submitting a written report in which it has made a false entry;
- (iv) a person failing to make a report or submit a material under Article 20, paragraph (1) (including as applied through a deemed replacement of terms pursuant to the provisions of Article 48); making a false report or submitting a false material under those provisions; refusing, preventing, or avoiding an inspection under those provisions; or failing to answer or falsely answering a question under those provisions;
- (v) a person failing to make a report or submit a material under Article 20, paragraph (1) as applied mutatis mutandis in Article 43, paragraph (3); making a false report or submitting a false material under those provisions; refusing, preventing, or avoiding an inspection under those provisions; or failing to answer or falsely answering a question under those provisions.

Article 292 A person violating the provisions of Article 7 is subject to imprisonment with required labor for no longer than one year or a fine of no more than 500,000 yen.

Article 293 A person falling under one of the following items is subject to a fine of no more than 300,000 yen:

- (i) a person decreasing its stated capital without the authorization under Article 6, paragraph (1), or a person receiving authorization as referred to in that paragraph after filing a false application;
- (ii) a person failing to file a notification under Article 18, paragraph (1) (including as applied through a deemed replacement of terms pursuant to the provisions of Article 48) or filing a false notification;
- (iii) a person failing to make a report under Article 19 or making a false report;
- (iv) a person failing to notify the relevant person as under Article 58 (including as applied through a deemed replacement of terms pursuant to the provisions of Article 48) or falsely notifying the relevant person;
- (v) a person failing to make a report under Article 59, paragraph (4) or making a false report.

Article 294 If the representative, agent, employee, or other worker of a corporation violates the provisions set forth in one of the following items in connection with the business or property of the corporation, in addition to the violator being subject to punishment, the corporation is subject to the fine set forth in the item:

- (i) Article 289 or 290: a fine of no more than 300,000,000 yen;

- (ii) Article 291 (excluding item (v)): a fine of no more than 200,000,000 yen;
- (iii) Article 291, item (v) or the preceding Article: the fine prescribed in the relevant Article.

Article 295 If the officer or liquidator of a Book-Entry Transfer Institution or Account Management Institution falls under one of the following items, that officer or liquidator is subject to a non-criminal fine of no more than 1,000,000 yen:

- (i) the officer or liquidator fails to file a notification or files a false notification, violating the provisions of Article 6, paragraph (2);
- (ii) the officer or liquidator violates an order under Article 21 or 23 (including as applied with through a deemed replacement of terms pursuant to the provisions of Article 48);
- (iii) the officer or liquidator neglects to notify or falsely notifies the relevant person, violating the provisions of Article 34, paragraph (2) or (4);
- (iv) the officer or liquidator fails to create an entry for information that it is required to enter in the paper document referred to in Article 36, paragraph (2);
- (v) the officer or liquidator fails to issue a paper document when issuing notice of the convocation of a Participants' Meeting, thereby violating the provisions of Article 36, paragraph (2);
- (vi) the officer or liquidator refuses a request under the proviso of Article 36, paragraph (3), without a legitimate reason for doing so;
- (vii) the officer or liquidator fails to keep electronic or magnetic records or minutes, thereby violating the provisions of Article 312, paragraph (4) of the Companies Act as applied mutatis mutandis pursuant to Article 36, paragraph (4) or the provisions of Article 731, paragraph (2) of that Act as applied mutatis mutandis pursuant to Article 39;
- (viii) the officer or liquidator refuses to allow a person to inspect or copy a paper-based document or minutes under Article 312, paragraph (5) of the Companies Act as applied mutatis mutandis pursuant to Article 36, paragraph (4) or the provisions of Article 731, paragraph (3) of that Act as applied mutatis mutandis pursuant to Article 39 (or to inspect or copy anything that shows the contents of data recorded in an electronic or magnetic record that has been used to prepare such paper-based documents or minutes), without a legitimate reason for doing so;
- (ix) the officer or liquidator calls a Participants' Meeting at a place other than as prescribed in the operational rules;
- (x) the officer or liquidator fails to explain a matter that the Participants have asked be explained at a Participants' Meeting, without a legitimate reason for failing to do so;

- (xi) the officer or liquidator files a false motion at a Participants' Meeting or conceals a fact from the Participants at a Participants' Meeting;
- (xii) the officer or liquidator neglects to issue public notice of authorization by Participants' Meeting resolution or issues a false public notice, thereby violating the provisions of Article 735 of the Companies Act as applied mutatis mutandis pursuant to Article 39;
- (xiii) the officer or liquidator fails to create an entry or record of information that it is required to enter or record in the minutes, or creates a false entry or record therein, thereby violating the provisions of Article 731, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 39;
- (xiv) the officer or liquidator neglects to notify or falsely notifies the relevant person, thereby violating the provisions of Article 69, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 69, paragraph (3) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)), Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 70, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 71, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 79, paragraph (4) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 92, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 92, paragraph (3)); Article 93, paragraph (1); Article 94, paragraph (1); Article 95, paragraph (1) (including as applied through a deemed replacement of terms pursuant to Article 48); Article 96, paragraph (1); Article 104, paragraph (4); Article 108, paragraph (4); Article 121-2, paragraph (2) (including as applied mutatis mutandis pursuant to Article 121-2, paragraph (3)); Article 121-2, paragraph (4) to paragraph (6) inclusive; Article 122-2, paragraph (2) (including as applied mutatis mutandis pursuant to Article 122-2, paragraph (3)); Article 122-2, paragraph (4) to paragraph (6) inclusive; Article 124-2, paragraph (2) (including as applied mutatis mutandis pursuant to Article 124-2, paragraph (3)); Article 124-2, paragraph (4) to paragraph (6) inclusive; Article 127-5, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 127-5, paragraph (3)); Article 127-7, paragraph (1); Article 127-9, paragraph (1); Article 127-10, paragraph (2) (including as applied mutatis mutandis

pursuant to Article 127-10, paragraph (4)); Article 127-11, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-11, paragraph (4)); Article 127-12, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-12, paragraph (4)); Article 127-13, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-13, paragraph (4)); Article 127-14, paragraph (2) (including as applied mutatis mutandis pursuant to Article 127-14, paragraph (4)); Article 127-22, paragraph (4); Article 130, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 130, paragraph (3) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 132, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 134, paragraph (1) (including as applied mutatis mutandis pursuant to Article 235, paragraph (1) and Article 276, item (ii)); Article 135, paragraph (2) (including as applied mutatis mutandis pursuant to Article 135, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 136, paragraph (2) (including as applied mutatis mutandis pursuant to Article 136, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 137, paragraph (2) (including as applied mutatis mutandis pursuant to Article 137, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 138, paragraph (2) (including as applied mutatis mutandis pursuant to Article 138, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)), Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)); Article 146, paragraph (4) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 166, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 166, paragraph (3) (including as applied mutatis mutandis pursuant to Article

249, paragraph (1) and Article 276, item (iii)), Article 249, paragraph (1) and Article 276, item (iii)); Article 168, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 170, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 171, paragraph (2) (including as applied mutatis mutandis pursuant to Article 171, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iii)) and Article 276, item (iii)); Article 180, paragraph (4) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 195, paragraph (2), item (ii) (including as applied mutatis mutandis pursuant to Article 195, paragraph (3) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)), Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 197, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 199, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 200, paragraph (2) (including as applied mutatis mutandis pursuant to Article 200, paragraph (4) (including as applied mutatis mutandis pursuant to Article 276, item (iv)) and Article 276, item (iv)); Article 202, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 203, paragraph (2) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 211, paragraph (4) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 230, paragraph (2); Article 240, paragraph (2); Article 241, paragraph (2) (including as applied mutatis mutandis pursuant to Article 241, paragraph (4)); or Article 242, paragraph (2) (including as applied mutatis mutandis pursuant to Article 242, paragraph (4));

(xv) the officer or liquidator refuses a request under the provisions of Article 86, paragraph (3) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 124 and Article 276, item (i)); Article 127-27, paragraph (3); Article 222, paragraph (3) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); or Article 277 without a legitimate reason for doing so, or issues a paper-based document in which it has made a false entry.

Article 296 If the officer of a corporation falls under one of the following items,



that officer is subject to a non-criminal fine of no more than one million yen:

- (i) the officer gives consent to another Book-Entry Transfer Institution, thereby violating the provisions of Article 13, paragraph (2);
- (ii) the officer issues corporate bond certificates or other certificates, thereby violating the provisions of Article 67, paragraph (1) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 127-3, paragraph (1); Article 164, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 193, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 227, paragraph (1); or Article 238, paragraph (1) (except the cases where the corporate bond certificates or other certificates are issued under the provisions of Article 67, paragraph (2) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 164, paragraph (2) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 193, paragraph (2) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 227, paragraph (2); or Article 238, paragraph (2));
- (iii) the officer denies a request under the provisions of Article 67, paragraph (2) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 127-3, paragraph (2); Article 164, paragraph (2) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 193, paragraph (2) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 227, paragraph (2); or Article 238, paragraph (2), without a legitimate reason for doing so;
- (iv) the officer neglects to notify or falsely notifies the relevant person, thereby violating the provisions of Article 69, paragraph (1) (including as applied mutatis mutandis pursuant to Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 69-2, paragraph (1) or (2) (including as applied mutatis mutandis pursuant to Article 276, item (i)); Article 121-2, paragraph (1); Article 122-2, paragraph (1); Article 124-2, paragraph (1); Article 127-5, paragraph (1); Article 127-6, paragraph (1) or (2); Article 127-10, paragraph (1); Article 127-11, paragraph (1); Article 127-12, paragraph (1); Article 127-13, paragraph (1); Article 130, paragraph (1) (including as applied mutatis mutandis

pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 131, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 131, paragraph (2) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 135, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 136, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 137, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1) and Article 276, item (ii)); Article 138, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 256, Article 262, paragraphs (1) and (3), Article 263, Article 270 and Article 276, item (ii)); Article 166, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); Article 167, paragraph (1) or (2) (including as applied mutatis mutandis pursuant to Article 276, item (iii)); Article 171, paragraph (1) (including as applied mutatis mutandis pursuant to Article 276, item (iii)); Article 195, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1) and Article 276, item (iv)); Article 196, paragraph (1) or (2) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 200, paragraph (1) (including as applied mutatis mutandis pursuant to Article 276, item (iv)); Article 202, paragraph (1) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 203, paragraph (1) (including as applied mutatis mutandis pursuant to Article 254, paragraph (1) and Article 276, item (iv)); Article 240, paragraph (1); Article 241, paragraph (1); or Article 242, paragraph (1);

(v) the officer violates the provisions of Article 87, paragraph (1) (including as applied mutatis mutandis pursuant to Article 113, Article 115, Article 117, Article 118, Article 120, Article 121, Article 122, Article 124, Article 127 and Article 276, item (i)); Article 127-32, paragraph (1); Article 162, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276, item (ii)); Article 191, paragraph (1) (including as applied mutatis mutandis pursuant to Article 249, paragraph (1) and Article 276, item (iii)); or Article 225, paragraph (1) (including as applied mutatis mutandis pursuant to Article 251, paragraph (1), Article 254, paragraph (1)

- and Article 276, item (iv));
- (vi) the officer neglects to issue public notice as prescribed in this Act or issues false public notice.

Article 297 If the officer of a corporation falls under one of the following items, that officer is subject to a non-criminal fine of no more than 300,000 yen:

- (i) the officer neglects to file a notification, thereby violating the provisions of Article 41, paragraph (2) (including as applied through a deemed replacement of terms pursuant to the provisions of Article 48);
- (ii) the officer fails to make a report under the provisions of Article 58 (including as applied through a deemed replacement of terms pursuant to the provisions of Article 48) or makes a false report.