

Act on General Incorporated Associations and General Incorporated Foundations

(Act No. 48 of June 2, 2006)

Chapter I General Provisions

Section 1 General Rules (Article 1 to Article 4)

Section 2 Names of Juridical Persons (Article 5 to Article 8)

Section 3 Inapplicability of Provisions of the Commercial Code (Article 9)

Chapter II General Incorporated Associations

Section 1 Incorporation

Subsection 1 Preparation of Articles of Incorporation (Article 10 to Article 14)

Subsection 2 Election and Dismissal of Officers at Incorporation (Article 15 to Article 19)

Subsection 3 Investigations by Directors at Incorporation (Article 20)

Subsection 4 Appointment of Representative Directors at Incorporation (Article 21)

Subsection 5 Formation of a General Incorporated Association (Article 22)

Subsection 6 Liability of the Members at Incorporation (Article 23 to Article 26)

Section 2 Members

Subsection 1 General Provisions (Article 27 to Article 30)

Subsection 2 Member Registries, etc. (Article 31 to Article 34)

Section 3 Administrative Mechanisms

Subsection 1 General Meetings of Members (Article 35 to Article 59)

Subsection 2 Establishment of Administrative Mechanisms Other than General Meetings of Members (Article 60 to Article 62)

Subsection 3 Election and Dismissal of Officers (Article 63 to Article 75)

Subsection 4 Directors (Article 76 to Article 89)

Subsection 5 Councils (Article 90 to Article 98)

Subsection 6 Auditors (Article 99 to Article 106)

Subsection 7 Accounting Auditors (Article 107 to Article 110)

Subsection 8 Liability of the Officers for Compensation for Damages (Article 111 to Article 118)

Section 4 Calculations

Subsection 1 Principles of Accounting (Article 119)

Subsection 2 Accounting Books (Article 120 to Article 122)

Subsection 3 Financial Statements, etc. (Article 123 to Article 130)

Section 5 Funds

- Subsection 1 Solicitation of Persons to Contribute to Funds (Article 131 to Article 140)
- Subsection 2 Return of Funds (Article 141 to Article 145)
- Section 6 Changing the Articles of Incorporation (Article 146)
- Section 7 Transfer of Business (Article 147)
- Section 8 Dissolution (Article 148 to Article 151)
- Chapter III General Incorporated Foundations
 - Section 1 Incorporation
 - Subsection 1 Preparation of Articles of Incorporation (Article 152 to Article 156)
 - Subsection 2 Contribution of Property (Article 157 and Article 158)
 - Subsection 3 Election of Councillors at Incorporation (Article 159 and Article 160)
 - Subsection 4 Investigation by Directors at Incorporation (Article 161)
 - Subsection 5 Appointment of Representative Directors at Incorporation (Article 162)
 - Subsection 6 Formation of a General Incorporated Foundation (Article 163 to Article 165)
 - Subsection 7 Liability of the Founders (Article 166 to Article 169)
 - Section 2 Administrative Mechanisms
 - Subsection 1 Establishment of Administrative Mechanisms (Article 170 and Article 171)
 - Subsection 2 Election and Dismissal of Councillors (Article 172 to Article 177)
 - Subsection 3 Councillors and the Board of Councillors (Article 178 to Article 196)
 - Subsection 4 Directors, Councils, Auditors, and Accounting Auditors (Article 197)
 - Subsection 5 Liability of the Officers for Compensation for Damages (Article 198)
 - Section 3 Calculations (Article 199)
 - Section 4 Amending the Articles of Incorporation (Article 200)
 - Section 5 Transfer of Business (Article 201)
 - Section 6 Dissolution (Article 202 to Article 205)
- Chapter IV Liquidation
 - Section 1 Commencement of Liquidation (Article 206 and Article 207)
 - Section 2 Administrative Mechanisms of Juridical Persons in Liquidation
 - Subsection 1 Establishment of Administrative Mechanisms for Juridical Persons in Liquidation (Article 208)
 - Subsection 2 Assumption of the Position of a Liquidator, Dismissal of Liquidators, and Resignation of Auditors, etc. (Article 209 to Article 211)

- Subsection 3 Liquidators' Duties (Article 212 to Article 219)
- Subsection 4 Boards of Liquidators (Article 220 to Article 223)
- Subsection 5 Application of Provisions Regarding Directors (Article 224)
- Section 3 Inventory of Property (Article 225 to Article 232)
- Section 4 Performance of Obligations (Article 233 to Article 238)
- Section 5 Ownership of Residual Assets (Article 239)
- Section 6 Completion of Liquidation Administration (Article 240 and Article 241)
- Chapter V Mergers
 - Section 1 General Rules (Article 242 and Article 243)
 - Section 2 Absorption-Type Mergers
 - Subsection 1 Absorption-Type Merger Agreements, etc. (Article 244 and Article 245)
 - Subsection 2 Procedures for Juridical Persons Extinguished in Absorption-Type Mergers (Article 246 to Article 249)
 - Subsection 3 Procedures for Juridical Persons Surviving Absorption-Type Mergers (Article 250 to Article 253)
 - Section 3 Consolidation-Type Mergers
 - Subsection 1 Consolidation-Type Merger Agreements, etc. (Article 254 and Article 255)
 - Subsection 2 Procedures for Juridical Persons Extinguished in Consolidation-Type Mergers (Article 256 to Article 258)
 - Subsection 3 Procedures for Juridical Persons Incorporated in Consolidation-Type Merger (Article 259 and Article 260)
- Chapter VI Miscellaneous Provisions
 - Section 1 Dissolution Orders (Article 261 to Article 263)
 - Section 2 Legal Process
 - Subsection 1 Actions Concerning the Administrative Mechanism of a General Incorporated Association, etc. (Article 264 to Article 277)
 - Subsection 2 Liability Action Against a General Incorporated Association (Article 278 to Article 283)
 - Subsection 3 Actions Seeking Dismissal of an Officer, etc., of a General Incorporated Association, etc. (Article 284 to Article 286)
 - Section 3 Non-contentious Cases
 - Subsection 1 General Provisions (Article 287 to Article 295)
 - Subsection 2 Special Provisions on Procedures under a Dissolution Order (Article 296 to Article 298)
 - Section 4 Registration
 - Subsection 1 General Provisions (Article 299 and Article 300)
 - Subsection 2 Registration at the Location of the Principal Office (Article 301 to Article 311)

Subsection 3 Registration at the Location of a Branch Office (Article 312 to Article 314)
Subsection 4 Commissioning of Registration (Article 315)
Subsection 5 Registration Procedures, etc. (Article 316 to Article 330)
Section 5 Public Notice (Article 331 to Article 333)
Chapter VII Penal Provisions (Article 334 to Article 344)

Chapter I General Provisions

Section 1 General Rules

(Purpose)

Article 1 The incorporation, organization, operation and management of general incorporated associations and general incorporated foundations shall be governed by the provisions of this Act, except as otherwise provided by other Acts.

(Definitions)

Article 2 In this Act, the meanings of the terms set forth in the following items shall be as prescribed respectively in those items :

- (i) A "general incorporated association, etc." means a general incorporated association or a general incorporated foundation;
- (ii) A "large-scale general incorporated association" means a general incorporated association for which the total amount calculated in the liabilities section of the balance sheet (referring to, in cases prescribed in the first sentence of Article 127, the balance sheet reported to the annual general meeting of members pursuant to the provisions of the same Article, or referring to, during the interval from formation of the general incorporated association until the initial annual general meeting of members, the balance sheet prescribed under Article 123, paragraph (1)) of the most recent business year (referring to the latest of any of the business years in which approval was obtained pursuant to Article 126, paragraph (2) for the financial statements prescribed under Article 123, paragraph (2) (or approval pursuant to Article 124, paragraph (3) in cases prescribed in the first sentence of Article 127)) is twenty billion yen or more;
- (iii) A "large-scale general incorporated foundation" means a general incorporated foundation for which the total amount calculated in the liabilities section of the balance sheet (referring to, in cases prescribed in the first sentence of Article 127 as applied mutatis mutandis pursuant to Article 199, the balance sheet reported to the annual meeting of the board of councillors pursuant to the provisions of the same Article, or referring to, during the interval from formation of the general incorporated foundation

- until the initial annual meeting of the board of councillors, the balance sheet prescribed under Article 123, paragraph (1) as applied mutatis mutandis pursuant to Article 199) of the most recent business year (referring to the latest of any of the business years in which approval was obtained pursuant to Article 126, paragraph (2) as applied mutatis mutandis pursuant to Article 199 for the financial statements prescribed under Article 123, paragraph (2) as applied mutatis mutandis pursuant to Article 199 (or approval pursuant to Article 124, paragraph (3) as applied mutatis mutandis pursuant to Article 199 in cases prescribed under the first sentence of Article 127 as applied mutatis mutandis pursuant to Article 199)) is twenty billion yen or more.
- (iv) A "subsidiary" means a juridical person as provided by the applicable Ordinance of the Ministry of Justice whose operations are controlled by a general incorporated association or a general incorporated foundation.
- (v) An "absorption-type merger" means a merger in which a general incorporated association or a general incorporated foundation is transformed into another general incorporated association or general incorporated foundation, wherein any and all of the rights and obligations of the juridical person ceasing to exist due to the merger are succeeded to by the juridical person surviving after the merger.
- (vi) A "consolidation-type merger" means a merger carried out by at least two general incorporated associations and/or general incorporated foundations, wherein any and all of the rights and obligations of the juridical persons ceasing to exist due to the merger are succeeded to by the juridical person incorporated in the merger;
- (vii) A "method of public notice" means the method by which a general incorporated association or a general incorporated foundation gives public notice (except for notice that must be given by means of publication in the official gazette pursuant to the provisions of this Act or other Acts).

(Juridical Personality)

Article 3 General incorporated associations and general incorporated foundations shall be juridical persons.

(Address)

Article 4 The address of general incorporated associations and general incorporated foundations shall be the location of its principal office.

Section 2 Names of Juridical Persons

(Name)

Article 5 (1) A general incorporated association or a general incorporated

foundation shall use the words "ippan shadan houjin" or "ippan zaidan houjin" in its name according to the kind of entity.

(2) A general incorporated association shall not use words in its name that are likely to cause it to be mistaken for a general incorporated foundation.

(3) A general incorporated foundation shall not use words in its name that are likely to cause it to be mistaken for a general incorporated association.

(Prohibition on the Use of Names, etc. That Are Likely to Cause an Organization to Be Mistaken for a General Incorporated Association or a General Incorporated Foundation)

Article 6 An entity that is not a general incorporated association or a general incorporated foundation shall not use words in its name or trade name that are likely to cause it to be mistaken for a general incorporated association or a general incorporated foundation.

Article 7 (1) No person shall use with fraudulent intent any name or any trade name that is likely to cause any entity to be mistaken for a general incorporated association or a general incorporated foundation.

(2) A general incorporated association or a general incorporated foundation whose business interests are infringed upon or are likely to be infringed upon by the use of a name or a trade name that is in violation of the provisions set forth in the preceding paragraph may file a claim against the party infringing on those interests or the party likely to do so, requesting suspension or prevention of that infringement.

(Responsibility of a General Incorporated Association or a General Incorporated Foundation Permitting the Use of Its Name by Another Party)

Article 8 A general incorporated association or a general incorporated foundation that permits the use of its name by another party to carry out business or operations shall have joint and several liability with said other party for payment of obligations arising from any transaction between said other party and a third party that carried out the transaction under the mistaken understanding that said business was being carried out by the general incorporated association or the general incorporated foundation.

Section 3 Inapplicability of Provisions of the Commercial Code

Article 9 The provisions of Article 11 through Article 15 and Article 19 through Article 24 of the Commercial Code (Act No. 48 of 1899) shall not apply to general incorporated associations and general incorporated foundations.

Chapter II General Incorporated Associations

Section 1 Incorporation

Subsection 1 Preparation of Articles of Incorporation

(Preparation of Articles of Incorporation)

Article 10 (1) In the incorporation of a general incorporated association, persons wishing to be members (hereinafter referred to as "members at incorporation") shall jointly prepare articles of incorporation, which all such persons shall sign or to which they shall affix their names and seal.

(2) The articles of incorporation set forth in the preceding paragraph can be prepared by means of electromagnetic recording (meaning records that are prepared in electronic or magnetic form, or any other form not recognizable to human sensory perception and that are prescribed by the applicable Ordinance of the Ministry of Justice as records to be submitted for computer-based information processing; the same shall apply hereinafter). In such cases, with respect to the information that is recorded in said electromagnetic records, measures shall be taken to provide alternative means for affixing signatures or names and seals in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice.

(Contents or Recorded Matters in the Articles of Incorporation)

Article 11 (1) The articles of incorporation of a general incorporated association shall contain or have recorded therein the following matters:

- (i) Purpose;
- (ii) Name;
- (iii) Location of the principal office;
- (iv) Names and addresses of members at incorporation;
- (v) Provisions on the acquisition or loss of member qualifications;
- (vi) Method of public notice; and
- (vii) Business year.

(2) Any provision in the articles of incorporation that grants to members the right to receive the distribution of a surplus or residual assets shall not be effective.

Article 12 In addition to the matters provided in the items set forth in paragraph (1) of the preceding Article, the articles of incorporation of a general incorporated association may state or record matters that will not take effect unless provided in the articles of incorporation, as provided in this Act, and other matters that do not violate the provisions of this Act

(Notarization of the Articles of Incorporation)

Article 13 The articles of incorporation set forth in Article 10, paragraph (1) shall not take effect unless they are certified by a notary.

(Keeping and Inspection of the Articles of Incorporation)

Article 14 (1) Members at incorporation (or, after the formation of a general incorporated association, said general incorporated association) shall keep the articles of incorporation in a place specified by a member at incorporation (or, after the formation of a general incorporated association, at the principal office and a branch office of said general incorporated association).

(2) Members at incorporation (or, after the formation of the general incorporated association, the members and creditors of said general incorporated association) can make any of the requests set forth below at any time during the hours determined by the members at incorporation (or, after the formation of the general incorporated association, the operating hours of said general incorporated association); provided, however, that when he/she makes a request set forth in item (ii) or (iv), the requestor shall pay for any costs prescribed by the members at incorporation (or after the establishment of the general incorporated association, said general incorporated association):

(i) If the articles of incorporation are prepared in the form of a document, a request to inspect the document;

(ii) A request for the delivery of a copy or extract of the document set forth in the preceding item;

(iii) If the articles of incorporation are prepared in the form of electromagnetic records, a request to inspect anything recorded in said electromagnetic records in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice;

(iv) A request that the matters recorded in the electromagnetic records set forth in the preceding item be provided by electromagnetic means (a means that uses an electronic data processing system or a means that uses other information communication technology as provided in the applicable Ordinance of the Ministry of Justice; the same shall apply hereinafter) as prescribed by a member at incorporation (or, after the formation of a general incorporated association, said general incorporated association), or a request for the issuance of any document that describes said matters.

(3) In cases where the articles of incorporation are prepared in the form of electromagnetic records, with respect to general incorporated associations enacting measures in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice to make it possible for a branch office to comply with requests set forth in items (iii) and (iv) of the preceding paragraph, regarding application of the provisions of paragraph (1), the term "principal office or a branch office" shall be "the principal office" in that paragraph.

Subsection 2 Election and Dismissal of Officers at Incorporation

(Election of Officers at Incorporation)

Article 15 (1) If no director at incorporation is provided for in the articles of incorporation (meaning a person or persons to serve as director at the time of incorporation of a general incorporated association; the same shall apply hereinafter in this Chapter, Article 278 and Article 318, paragraph (2)), the members at incorporation shall elect a director or directors at incorporation without delay after certification by a notary as provided in Article 13.

(2) If the general incorporated association to be incorporated is one set forth in the following items, and if the articles of incorporation did not designate persons as provided in said items, the members at incorporation shall elect such persons without delay after certification by a notary as provided in Article 13:

- (i) A general incorporated association with auditors (meaning a general incorporated association that provides an auditor or a general incorporated association that is required to provide an auditor pursuant to the provisions of this Act; the same shall apply hereinafter): an auditor at incorporation (meaning a person who serves as an auditor at the time of incorporation of a general incorporated association; the same shall apply hereinafter in this Chapter, Article 254, item (vi), and Article 318, paragraph (2), item (iii));
- (ii) A general incorporated association with accounting auditors (meaning a general incorporated association that provides accounting auditors or a general incorporated association that is required to provide accounting auditors pursuant to the provisions of this Act; the same shall apply hereinafter): an accounting auditor at incorporation (meaning a person who serves as an accounting auditor at the time of incorporation of a general incorporated association; the same shall apply in the following Article, paragraph (2), and Article 318, paragraph (2), item (iv)).

Article 16 (1) If the general incorporated association to be incorporated has a council (meaning a general incorporated association with council; the same shall apply hereinafter), at least three directors at incorporation shall be designated.

(2) Pursuant to the provisions of Article 65, paragraph (1), Article 68, paragraph (1) and paragraph (3), individuals who cannot be a director, an auditor, or an accounting auditor in an formed general incorporated association, cannot be a director at incorporation, an auditor at incorporation, or an accounting auditor at incorporation (hereinafter referred to as "officers at incorporation" in this Subsection).

(Methods of Electing Officers at Incorporation)

Article 17 (1) The election of officers at incorporation shall be determined by a majority vote of the members at incorporation.

(2) In cases set forth in the preceding paragraph, each member at incorporation shall have one voting right; provided, however, that this shall not preclude the articles of incorporation from providing otherwise.

(Dismissal of Officers at Incorporation)

Article 18 The members at incorporation may dismiss officers at incorporation until such time as the general incorporated association is formed.

(Methods of Dismissal of Officers at Incorporation)

Article 19 (1) The dismissal of officers at incorporation shall be decided by a majority vote of the members at incorporation (the dismissal of an auditor at incorporation requires a minimum two-thirds majority).

(2) The provisions of Article 17, paragraph (2) shall apply mutatis mutandis to the preceding paragraph.

Subsection 3 Investigations by Directors at Incorporation

Article 20 (1) The directors at incorporation (if the general incorporated association to be incorporated is a general incorporated association with auditors, the term means the directors at incorporation and the auditors at incorporation; the same shall apply in the following paragraph), after being elected, shall investigate without delay whether the procedures employed in incorporating the general incorporated association are in compliance with laws and regulations as well as with the articles of incorporation.

(2) The directors at incorporation, based upon the investigation conducted pursuant to the provisions of the preceding paragraph, shall notify the members at incorporation if the procedures employed in the incorporation of the general incorporated association violate any laws and regulations or the articles of incorporation, or contain improper matters.

Subsection 4 Appointment of Representative Directors at Incorporation

Article 21 (1) The directors at incorporation, provided that the general incorporated association to be incorporated is a general incorporated association with council, shall appoint a representative director (meaning the director who will represent the general incorporated association; the same shall apply hereinafter in this Chapter and Article 301, paragraph (2), item

(vi)) from among the directors at incorporation at the time of the incorporation of the general incorporated association (hereinafter referred to as the "representative director at incorporation" in this Article and Article 318, paragraph (2)).

- (2) The directors at incorporation can remove the representative director at incorporation until such time as the general incorporated association is formed.
- (3) The appointment and removal of the representative director at incorporation pursuant to the provisions set forth in the preceding two paragraphs shall be determined by a majority of the directors at incorporation.

Subsection 5 Formation of a General Incorporated Association

Article 22 A general incorporated association is formed when its incorporation is registered at the address of its principal office.

Subsection 6 Liability of the Members at Incorporation

(Liability of the Members at Incorporation for Compensation for Damages)

Article 23 (1) If a member at incorporation, a director at incorporation, or an auditor at incorporation is negligent in performing his/her duties with respect to the incorporation of the general incorporated association, he/she shall bear liability to compensate for any damages resulting therefrom to said general incorporated association.

- (2) If a member at incorporation, a director at incorporation, or an auditor at incorporation has acted in bad faith or with gross negligence in the performance of his/her duties, said member at incorporation, director at incorporation, or auditor at incorporation shall bear liability to compensate for damages resulting therefrom to third parties.

(The Joint and Several Liability of the Members at Incorporation)

Article 24 In cases where a member at incorporation, a director at incorporation, or an auditor at incorporation bears liability to compensate for damages suffered by a general incorporated association or a third party, and where other members at incorporation, directors at incorporation or auditors at incorporation are also liable to compensate for such damages, these persons shall be joint and several obligors.

(Exemption from Liability)

Article 25 The members at incorporation, directors at incorporation or auditors at incorporation prescribed by the provisions of Article 23, paragraph (1) cannot be exempted from liability without the consent of all members.

(Liability in the Event of the Failure to Form the General Incorporated Association)

Article 26 In cases where there is a failure to form the general incorporated association fails, the members at incorporation shall take responsibility jointly and severally for any action they took with regard to the incorporation of the general incorporated association, and shall bear any expenses incurred with respect to the incorporation of the general incorporated association.

Section 2 Members

Subsection 1 General Provisions

(Liability for Expenses)

Article 27 Members, as provided by the articles of incorporation, bear the responsibility for payment of expenses to the general incorporated association.

(Voluntary Withdrawal)

Article 28 (1) Members may withdraw at any time; provided, however, that this shall not preclude the articles of incorporation from providing otherwise.
(2) In cases where provisions are made otherwise in the articles of incorporation as set forth in the proviso to the preceding paragraph, a member may withdraw at any time if there are unavoidable circumstances.

(Statutory Withdrawal)

Article 29 In addition to what is provided in the preceding Article, members shall withdraw on the following grounds:
(i) The occurrence of grounds set forth in the articles of incorporation;
(ii) The agreement of all members;
(iii) Death or dissolution;
(iv) Expulsion.

(Expulsion)

Article 30 (1) The expulsion of a member can be decided by resolution at a general meeting of members, provided that justifiable grounds exist. In such cases, the general incorporated association shall notify said member within one week from the general meeting of members, and shall provide the member an opportunity to give an explanation at the general meeting of members.
(2) Unless notice is served to the affected member, expulsion cannot be asserted against the affected member.

Subsection 2 Member Registries, etc.

(Member Registry)

Article 31 The general incorporated association shall prepare a registry (hereinafter referred to as a "member registry") of members that includes or has recorded therein the names and addresses of members.

(Keeping and Inspection of the Member Registry)

Article 32 (1) The general incorporated association shall keep its member registry at its principal office.

(2) Members may make the following requests at any time during the business hours of the general incorporated association. In such cases, the reasons for the request shall be clearly stated:

(i) If the member registry is prepared in the form of a document, a request to inspect or copy said document;

(ii) If the member registry is prepared in the form of electromagnetic records, a request to inspect or copy anything recorded in said electromagnetic records in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice.

(3) When a request is made pursuant to the preceding paragraph, the general incorporated association may not decline the request unless one of the following conditions applies:

(i) The member making the request (hereinafter referred to as the "requestor" in this paragraph) is making said request for purposes other than conducting an investigation related to the procurement or exercise of his/her rights;

(ii) The requestor is making said request for a purpose that impairs the execution of the operations of the general incorporated association, or for a purpose that prejudices the common interest of members;

(iii) The requestor operates or is engaged by a business that is materially in a competing relationship with the operations of the general incorporated association;

(iv) The requestor is making said request in order to inform a third party, for a profit, of the facts acquired through the inspection or copying of the member registry; or

(v) During the past two years, the requestor has made a request in order to inform a third party, for a profit, of the facts acquired through the inspection or copying of the member registry.

(Notification of the Members)

Article 33 (1) If the general incorporated association wishes to serve a notice or demand on a member, it is sufficient to issue such notice or demand to the member's address that is contained or recorded in the member registry (or, if

the member has notified the general incorporated association of another place or a contact address where notices or demands are to be received, to that place or contact address).

- (2) The notice or demand referred to in the preceding paragraph shall be deemed to have been received at the time when such notice or demand should normally have been received.
- (3) The provisions of the preceding two paragraphs shall apply mutatis mutandis to cases where, when the notice set forth in Article 39, paragraph (1) is to be served, a document is to be delivered, or the matters to be stated in said document are provided by electromagnetic means. In such cases, the term "to have been received" shall be deemed to be replaced with "to have been given in such document or to have been provided by electromagnetic means with such matters".

(Omission of Notification of the Members)

- Article 34 (1) In cases where notices or demands served on a member by the general incorporated association have not reached said member for a continuous period of five or more years, the general incorporated association is not required to serve notices or demands on said member.
- (2) In cases set forth in the preceding paragraph, the place where the general incorporated association is to perform its obligations with respect to the member referred to in said paragraph shall be the address of the general incorporated association.

Section 3 Administrative Mechanisms

Subsection 1 General Meetings of Members

(The Authority of General Meetings of Members)

- Article 35 (1) Resolutions may be adopted at a general meeting of members with regard to the matters set forth in this Act and with regard to the organization, operation, and management of the general incorporated association, as well as with regard to all matters related to the general incorporated association.
- (2) Notwithstanding the provisions of the preceding paragraph, in a general incorporated association with council, only resolutions with regard to the matters provided for in this Act and the matters set forth in the articles of incorporation may be adopted at a general meeting of members.
 - (3) Notwithstanding the provisions set forth in the preceding two paragraphs, resolutions regarding the distribution of surplus to members may not be adopted at a general meeting of members.
 - (4) With regard to matters that require a resolution at a general meeting of members pursuant to this Act, any provisions of the articles of incorporation

that provide that directors, the council, or an administrative mechanism other than general meetings of members are to have decision-making powers shall have no effect.

(Convocation of a General Meeting of Members)

Article 36 (1) The annual general meeting of members shall be convened at a fixed time after the end of each business year.

(2) A general meeting of members may be convened at any time that this is necessary.

(3) A general meeting of members shall be convened by a director except when it is convened pursuant to the provisions of the following Article, paragraph (2).

(Member's Demand for the Convocation of a Meeting)

Article 37 (1) Members who have at least one-tenth of the voting rights of all the members (if the articles of incorporation provide for a ratio of one-fifth or less, that ratio) may demand that the director convene a general meeting of members by indicating to him/her a matter to be the purpose of the general meeting of members and the reasons for convocation.

(2) In the cases set forth below, members who have made a demand pursuant to the provisions set forth in the preceding paragraph may convene a general meeting of members by obtaining court approval:

(i) In cases where convocation procedures for a general meeting of members were not carried out without delay after a demand was made pursuant to provisions of the preceding paragraph;

(ii) In cases where no notice to convene for a general meeting of members was issued stating a date within six weeks (if a shorter time period is prescribed in the articles of incorporation, that time period) of the demand made pursuant to the provisions of the preceding paragraph as the date of a general meeting of members.

(Decision to Convene a General Meeting of Members)

Article 38 (1) When convening a general meeting of members, the director (in cases where a member convenes a general meeting of members pursuant to the provisions of the preceding Article, paragraph (2), that member; the same shall apply in the following Article through Article 42) shall provide the matters set forth below:

(i) The time and place of the general meeting of members;

(ii) If there is a matter that is the purpose of the general meeting of members, that matter;

(iii) If members not attending the general meeting of members can exercise their voting rights in writing, information to that effect;

- (iv) If members not attending the general meeting of members can exercise their voting rights by electromagnetic means, information to that effect;
 - (v) In addition to the conditions provided in the preceding items, matters provided in the applicable Ordinance of the Ministry of Justice.
- (2) In a general incorporated association with council, except when a member convenes a general meeting of members pursuant to the provisions of the preceding Article, paragraph (2), any decision made with respect to the matters provided in the preceding items shall be made through a resolution of the council.

(Notice to Convene for a General Meeting of Members)

- Article 39 (1) When convening a general meeting of members, the director shall issue notice of said meeting to the members at least one week before the date of the general meeting of members (if the articles of incorporation in a general incorporated association other than a general incorporated association with council provides a time period less than one week, that time period); provided, however, that where a matter identified in paragraph (1), item (iii) or item (iv) in the preceding Article has been provided, the notice shall be issued at least two weeks prior to the date of the general meeting of members.
- (2) In the following cases, the notice set forth in the preceding paragraph shall be made in writing:
- (i) In cases where matters identified in paragraph (1), item (iii) or item (iv) in the preceding Article are provided;
 - (ii) If the general incorporated association is a general incorporated association with council.
- (3) In lieu of issuing a notice in writing in accordance with the preceding paragraph, the director may issue the notice by electromagnetic means with the consent of the members, as prescribed by Cabinet Order. In such cases, it shall be deemed that said director has issued the notice in writing in accordance with the provisions set forth in said paragraph.
- (4) The notice set forth in the preceding two paragraphs shall contain or have recorded therein the matters set forth in the items in paragraph (1) of the preceding Article.

(Omission of the Procedures for Convocation)

- Article 40 Notwithstanding the provisions of the preceding Article, a general meeting of members may be held without convocation procedures, provided that the consent of all members is obtained; provided, however, that this shall not apply if matters set forth in Article 38, paragraph (1), item (iii) or item (iv) are provided.

(Delivery etc. of Reference Documents for the General Meeting of Members and of Voting Cards)

Article 41 (1) In cases where the matter set forth in Article 38, paragraph (1), item (iii) is identified, the director, when issuing a notice pursuant to Article 38, paragraph (1), shall issue documents (hereinafter referred to as "general meeting of members reference documents" in this Subsection) that provide a reference for the exercise of voting rights by members, and documents (hereinafter referred to as "voting cards" in this Subsection) for the exercise of voting rights by members, as provided in the applicable Ordinance of the Ministry of Justice.

(2) When issuing notice by electromagnetic means set forth in Article 39, paragraph (3) to members who have given consent pursuant to the provisions set forth in said paragraph, the director may provide matters to be contained in such documents by electromagnetic means in lieu of the delivery of general meeting of members reference documents and voting cards pursuant to the provisions of the preceding paragraph; provided, however, that when requested by a member, the director shall issue such documents to the member.

Article 42 (1) In cases where the matter set forth in Article 38, paragraph (1), item (iv) is identified, the director, when issuing the notice pursuant to Article 39, paragraph (1), shall issue general meeting of members reference documents as prescribed by the applicable Ordinance of the Ministry of Justice.

(2) When issuing notice by electromagnetic means set forth in Article 39, paragraph (3) to members who have given consent pursuant to said paragraph, the director may provide matters to be contained in said documents by electromagnetic means in lieu of the delivery of general meeting of members reference documents pursuant to the provisions of the preceding paragraph; provided, however, that when requested by a member, the director shall issue such documents to the member.

(3) In the cases provided for in paragraph (1), when sending notice to the members who have given consent set forth in Article 39, paragraph (3) by the electromagnetic means set forth in the same paragraph, the directors shall provide to the members the matters to be specified in the voting card by said electromagnetic means, pursuant to the provisions of the applicable Ordinance of the Ministry of Justice.

(4) In the cases provided for in paragraph (1), when it has been requested by members who have not given consent pursuant to Article 39, paragraph (3) at least one week prior to the date of a general meeting of members that matters to be set forth on the voting card be provided by electromagnetic means, the director shall immediately provide such matters electromagnetically to the relevant members, as prescribed in the applicable Ordinance of the Ministry of

Justice.

(Members' Right to Issue Proposals)

- Article 43 (1) Members may submit a demand to the director that certain matters be taken up as a purpose of a general meeting of members.
- (2) Notwithstanding the provisions of the preceding paragraph, in a general incorporated association with council, members, provided they have at least one-thirtieth of the voting rights of all members (if a lower ratio is prescribed in the articles of incorporation, that ratio), may submit a demand to a director that certain matters be taken up as a purpose of a general meeting of members. In such cases, the demand shall be made six weeks prior to the date of the general meeting of members (if a shorter time period is prescribed in the articles of incorporation, that time period).

Article 44 At a general meeting of members, members may submit a proposal with respect to the matter that is the purpose of the meeting; provided, however, that this shall not apply where said proposal is in violation of laws and regulations or the articles of incorporation, or where three years have not elapsed since the day when a proposal that was materially the same failed to obtain votes in its favor constituting at least one-tenth of the votes (or, if a lower ratio is prescribed in the articles of incorporation, that ratio) of all the members present at the general meeting of members.

- Article 45 (1) A member may request a director to issue members a notice outlining the proposal which said member plans to submit in accordance with the purpose of the general meeting of members (in case the notice is to be issued pursuant to Article 39, paragraph (2) and (3), a member may request a director to include or record such matters in the notice) within six weeks of the date of a general meeting of members (if a shorter time period is prescribed in the articles of incorporation, that time period); provided however, that in a general incorporated association with council, such a request may be made only by members who have at least one-thirtieth of the voting rights of all members (if a lower ratio is prescribed in the articles of incorporation, that ratio).
- (2) The provisions of the preceding paragraph shall not apply in cases where said proposal is in violation of laws and regulations or the articles of incorporation, or where three years have not elapsed since the day when a proposal that was materially the same failed to obtain votes in its favor constituting at least one-tenth of the votes of all the members present at the general meeting of members (if a lower ratio is prescribed in the articles of incorporation, that ratio).

(The Election of an Inspector Concerning the Procedures for Convocation of General Meetings of Members)

Article 46 (1) Members who have at least one-thirtieth of the voting rights of all members (if a lower ratio is prescribed in the articles of incorporation, that ratio), or the general incorporated association may petition the court to elect an inspector, prior to a general meeting of members, in order to carry out an investigation of the procedures employed and resolutions made concerning the convocation of general meetings of members.

(2) In cases where a petition for the election of an inspector has been submitted pursuant to the provisions of the preceding paragraph, the court, unless dismissing the petition as being unlawful, shall elect an inspector.

(3) When electing an inspector as set forth in the preceding paragraph, the court may determine the amount of compensation to be paid to said inspector by the general incorporated association.

(4) The inspector set forth in paragraph (2) shall conduct the required investigation, and shall report to the court by submitting documents or electromagnetic records (limited to those prescribed in the applicable Ordinance of the Ministry of Justice) that contain or in which are recorded the results of the investigation.

(5) With respect to the report set forth in the preceding paragraph, if the court finds it necessary to make the contents of the report clear or to verify the grounds thereof, it may require further reports set forth in the preceding paragraph of the inspector set forth in paragraph (2).

(6) When submitting a report pursuant to paragraph (4), the inspector set forth in paragraph (2) shall provide a copy of said document as prescribed in paragraph (4) or matters recorded electromagnetically as referred to in the same paragraph by a method prescribed in the applicable Ordinance of the Ministry of Justice to the general incorporated association (if the person who petitioned for the election of an inspector is not that general incorporated association, either said general incorporated association or said person).

(Court Determination to Convene a General Meeting of Members)

Article 47 (1) The court shall, when it has received a report set forth in paragraph (4) of the preceding Article, and when it finds necessary, order the director to comply with the whole or a part of following measures:

- (i) To convene a general meeting of members within a fixed period of time;
- (ii) To notify members of the results of the investigation set forth in the preceding Article, paragraph (4).

(2) In cases where the court orders the measures set forth in item (i) of the preceding paragraph, the director shall disclose the contents of the report referred to in paragraph (4) of the preceding Article at the general meeting of

members as prescribed in the same item.

- (3) If it is so prescribed as under the preceding paragraph, the director (or in a general incorporated association with an auditor, the director and the auditor) shall examine the contents of the report referred to in paragraph (4) of the preceding Article, and shall report the results of the examination at the general meeting of members set forth in paragraph (1), item (i).

(Number of Votes)

Article 48 (1) Each member shall have one vote; this, however, does not preclude other provisions from being made in the articles of incorporation.

- (2) Notwithstanding the provisions set forth in the proviso to preceding paragraph, any provision in the articles of incorporation that prescribes that members cannot exercise their voting rights on all of the matters subject to resolution at a general meeting of members shall have no effect.

(Resolutions at a General Meetings of Members)

Article 49 (1) Except as otherwise prescribed in the articles of incorporation, a resolution at a general meeting of members shall be effected by a majority vote of the members in attendance who have voting rights, provided that the members with a majority of the voting rights are present.

- (2) Notwithstanding the provisions of the preceding paragraph, resolutions at the following general meetings of members shall be effected by at least a two-thirds majority (if a higher ratio is prescribed in the article of incorporation, that ratio) of the votes of all members and with a quorum of at least one-half of the total number of members:

- (i) A general meeting of members as set forth in Article 30, paragraph (1);
- (ii) A general meeting of members as set forth in Article 70, paragraph (1) (limited to the dismissal of an auditor);
- (iii) A general meeting of members as set forth in Article 103, paragraph (1);
- (iv) A general meeting of members as set forth in Article 146;
- (v) A general meeting of members as set forth in Article 14;
- (vi) A general meeting of members as set forth in Article 148, item (iii) and Article 150;
- (vii) A general meeting of members as set forth in Article 247, Article 251, paragraph (1), and Article 257.

- (3) For general incorporated associations with council, a general meeting of members may not make resolutions on matters other than those set forth in Article 38, paragraph (1), item (ii); provided, however, that this shall not apply to the election of persons set forth in Article 55, paragraph (1) or (2), or to requests for the attendance of the accounting auditor set forth in Article 109, paragraph (2)).

(Exercising Voting Rights by Proxy)

- Article 50 (1) Members may exercise their voting rights by proxy. In such cases, the subject member or proxy shall submit a document certifying the authority of representation to the general incorporated association.
- (2) The granting of the authority of representation shall be made for each general meeting of members.
- (3) The member or proxy referred to in paragraph (1) may, in lieu of submitting a document certifying the authority of representation, provide matters to be included in the document by electromagnetic means, upon approval of the general incorporated association as prescribed by Cabinet Order. In such cases, the member or proxy shall be deemed to have submitted the document.
- (4) In cases where a member has received consent pursuant to Article 39, paragraph (3), the general incorporated association may not refuse the consent set forth in the preceding paragraph without justifiable grounds.
- (5) The general incorporated association shall keep at its principal office documents certifying the authority of representation and electromagnetic records containing the matters provided by the electromagnetic means set forth in paragraph (3), for three months from the date of the general meeting of members.
- (6) Members may make the following requests at any time during the business hours of the general incorporated association:
- (i) A request to inspect or copy documents certifying the authority of representation;
 - (ii) A request to inspect or copy anything which displays matters recorded in electromagnetic records set forth in the preceding paragraph in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice.

(Exercising Voting Rights in Writing)

- Article 51 (1) The exercise of voting rights in writing shall be performed by entering the required matters on a voting card and submitting the entered voting card to the general incorporated association by a time prescribed by the applicable Ordinance of the Ministry of Justice.
- (2) The number of votes exercised in writing pursuant to the provisions of the preceding paragraph shall be added to the number of votes of the members present at the general meeting of members.
- (3) The general incorporated association shall keep at its principal office voting cards submitted in accordance with the provisions of paragraph (1) for three months from the date of the general meeting of members.
- (4) Members may request to inspect or copy the voting cards submitted pursuant

to the provisions of paragraph (1) at any time during the business hours of the general incorporated association.

(Exercising Voting Rights by Electromagnetic Means)

Article 52 (1) Voting by electromagnetic means is to be performed as specified by Cabinet Order by obtaining the consent of the general incorporated association and by submitting to the general incorporated association matters to be entered in a voting card by electromagnetic means by the time prescribed in the applicable Ordinance of the Ministry of Justice.

(2) In cases where a member has received consent pursuant to Article 39, paragraph (3), the general incorporated association may not refuse the consent set forth in the preceding paragraph without justifiable grounds.

(3) The number of votes exercised by electromagnetic means pursuant to the provisions of paragraph (1) shall be added to the number of votes of the members present at the general meeting of members.

(4) The general incorporated association shall keep at its principal office electromagnetic records containing matters submitted pursuant to the provisions of paragraph (1) for three months from the date of the general meeting of members.

(5) Members may request to inspect or copy anything contained in the electromagnetic records set forth in the preceding paragraph by methods prescribed in the applicable Ordinance of the Ministry of Justice, at any time during the business hours of the general incorporated association.

(Directors' Obligation to Explain)

Article 53 When requested by a member or members to explain a specific matter at a general meeting of members, the director (in a general incorporated association with auditors, the director and the auditor) shall provide the required explanation on said matter; provided, however, that this shall not apply if said matter is not related to the purpose of the general meeting of members, if doing so would materially harm the common interest of the members, or if there are other justifiable grounds prescribed by the applicable Ordinance of the Ministry of Justice.

(The Authority of the Chairperson)

Article 54 (1) The chairperson of a general meeting of members shall maintain order at the general meeting of members and organize the business of the meeting.

(2) The chairperson of a general meeting of members may remove persons who do not comply with his/her instructions or those who otherwise disturb order.

(Investigation of Materials Submitted at a General Meeting of Members)

- Article 55 (1) At a general meeting of members, the directors, the auditors, and the accounting auditors may, by resolution, elect a person to investigate materials that are submitted or provided at the general meeting of members.
- (2) At a general meeting of members convened pursuant to the provisions of Article 37, the members may, by resolution, elect a person to investigate the business and the property status of the general incorporated association.

(Resolutions to Postpone or Continue)

Article 56 In cases where a resolution is passed to postpone or continue proceedings at a general meeting of members, the provisions set forth in Articles 38 and 39 shall not apply.

(Minutes)

- Article 57 (1) With respect to the agenda of a general meeting of members, minutes of the meeting shall be prepared as prescribed by the applicable Ordinance of the Ministry of Justice.
- (2) The general incorporated association shall keep the minutes set forth in the preceding paragraph at its principal office for ten years from the date of the general meeting of members.
- (3) The general incorporated association shall keep a copy of the minutes set forth in paragraph (1) at its branch office for five years from the date of the general meeting of members; provided, however, that this shall not apply if said minutes are prepared in electromagnetic records and they are in compliance with the provisions of the applicable Ordinance of the Ministry of Justice as a measure to make it possible to comply with requests set forth in item (ii) of the following paragraph.
- (4) Members and creditors may make the following requests at any time during the business hours of the general incorporated association:
- (i) If the minutes of paragraph (1) are prepared in document form, a request to inspect a copy of said document or to copy said document;
 - (ii) If the minutes of paragraph (1) are recorded in electromagnetic records, a request to inspect or copy anything recorded in said electromagnetic records in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice.

(Omission of a Resolution at a General Meeting of Members)

Article 58 (1) In cases where a director or a member makes a proposal regarding a matter for the purpose of a general meeting of members and where all members manifest their intention to agree with said proposal either in writing or by electromagnetic records, a resolution of the general meeting of members

that affirms the proposal shall be deemed to have passed.

- (2) The general incorporated association shall keep the documents or electromagnetic records pursuant to the provisions of the preceding paragraph at its principal office for ten years from the date when the resolution is deemed to have passed at the general meeting of members pursuant to the provisions of the preceding paragraph.
- (3) Members and creditors may make the following requests at any time during the business hours of the general incorporated association:
- (i) If the minutes set forth in paragraph (1) are prepared in the form of a document, a request to inspect a copy of the document or to copy the document;
 - (ii) If the minutes set forth in paragraph (1) are prepared in the form of electromagnetic records, a request to inspect or copy anything recorded in said electromagnetic records in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice.
- (4) If, in accordance with the provisions of paragraph (1), there is deemed to have been a resolution at a general meeting of members on all the matters related to the purpose of the annual general meeting of members, the annual general meeting of members shall be deemed to have concluded at that time.

(Omission of a Report at the General Meeting of Members)

Article 59 In cases where a director provides notice to all members regarding matters to be reported at a general meeting of members and all members have manifested their intentions, either in writing or by electromagnetic records, to agree that such matters need not be reported at the general meeting of members, such matters shall be deemed to have been reported at the general meeting of members.

Subsection 2 Establishment of Administrative Mechanisms Other than General Meetings of Members

(Establishment of Administrative Mechanisms Other than General Meetings of Members)

- Article 60 (1) A general incorporated association shall have one or two or more directors.
- (2) General incorporated associations, by provisions in their articles of incorporation, may have a council, an auditor, or an accounting auditor.

(Obligation to Have an Auditor)

Article 61 General incorporated associations with council or general incorporated associations with accounting auditors shall have an auditor.

(Obligation to Have an Accounting Auditor)

Article 62 Large-scale general incorporated associations shall have an accounting auditor.

Subsection 3 Election and Dismissal of Officers

(Elections)

Article 63 (1) Officers (meaning directors and auditors; the same shall apply hereinafter in this Subsection) and accounting auditors shall be elected by resolution at a general meeting of members.

(2) When the resolution set forth in the preceding paragraph is made, pursuant to the provisions of the applicable Ordinance of the Ministry of Justice, substitute officers may be elected to provide for a vacancy in officer positions or for cases where a shortage occurs in the number of officers prescribed by this Act or by the articles of incorporation.

(Relationship between the General Incorporated Association and Its Officers)

Article 64 The relationship between a general incorporated association and its officers or accounting auditors shall be governed by the provisions on mandate.

(The Qualifications of Officers)

Article 65 (1) The following persons cannot be officers:

(i) A juridical person;

(ii) An adult ward, a person under conservatorship, or a person with a similar status under foreign laws and regulations;

(iii) A person who has been sentenced for having violated the provisions of this Act or the Companies Act (Act No. 86 of 2005); or for having committed a crime under the Civil Rehabilitation Act (Act No. 225 of 1999), Article 255, Article 256, Article 258 through 260, or Article 262; a crime under the Act on Recognition of and Assistance for Foreign Insolvency Proceedings (Act No. 129 of 2000) Article 65, Article 66, Article 68, or Article 69; a crime under the Corporate Rehabilitation Act (Act No. 154 of 2002) Article 266, Article 267, Article 269 through 271, or Article 273; or a crime under the Bankruptcy Act (Act No. 75 of 2004) Article 265, Article 266, Article 268 through 272, or Article 274; and for whom two years have not passed since the day on which the execution of the sentence was completed or he/she ceased to be subject to its execution;

(iv) A person who has violated the provisions of laws and regulations other than the Acts referred to in the preceding item, has been sentenced to imprisonment or a more severe penalty, and who is serving his/her sentence

- until its completion or until he/she has ceased to be subject to its execution (excluding persons who have received a suspended execution of sentence).
- (2) An auditor may not serve concurrently as a director and an employee of a general incorporated association or its subsidiary.
 - (3) In a general incorporated association with council, at least three directors shall be designated.

(The Term of Office of Directors)

Article 66 The term of office of a director shall be until the end of the final annual general meeting of members in a business year that ends within two years after his/her election. This, however, does not preclude a reduction in the length of a term of office by means of the articles of incorporation or through a resolution at a general meeting of members.

(The Term of Office of Auditors)

- Article 67 (1) The term of office of an auditor shall be until the end of the final annual general meeting of members in a business year that ends within four years after his/her election. This, however, does not preclude a reduction in the length of a term of office by means of the articles of incorporation, limited to the end of the final annual general meeting of members in a business year that ends within two years after his/her election.
- (2) The provisions of the preceding paragraph do not preclude the establishment, by means of the articles of incorporation, of the length of the term of office of an auditor who is elected as a substitute for an auditor who was terminated before the expiration of his/her tenure, as being until such time as the expiration of the auditor who was terminated.
 - (3) Notwithstanding the provisions set forth in the preceding two paragraphs, in cases where the provisions of the articles of incorporation that provide for an auditor have been amended, the auditor's term of office shall expire when the amendment to the articles of incorporation takes effect.

(The Qualifications of Accounting Auditors)

- Article 68 (1) An accounting auditor shall be a certified public accountant (including foreign certified public accountants prescribed in Article 16-2, paragraph (5) of the Certified Public Accountants Act (Act No. 103 of 1948); the same shall apply hereinafter) or an auditing firm.
- (2) The auditing firm elected as an accounting auditor shall appoint an individual who will perform the duties of an accounting auditor and notify the general incorporated association of the appointment. In such cases, none of the persons set forth in item (ii) of the following paragraph may be appointed.
 - (3) No person set forth below shall be an accounting auditor:

- (i) Persons who may not audit any of the financial statements prescribed in Article 123, paragraph (2), pursuant to the provisions of the Certified Public Accountants Act;
- (ii) A person, or his/her spouse, who receives remuneration on an ongoing basis for performing business other than the business of a certified public accountant or an auditing firm, from a subsidiary of the general incorporated association or a director or auditor thereof;
- (iii) An auditing firm of which more than one-half of its members fall into the category identified in the preceding item.

(The Term of Office of Accounting Auditors)

Article 69 (1) The term of office of the accounting auditor shall be until the end of the final annual general meeting of members in a business year that ends within one year after his/her election.

- (2) Except when a resolution otherwise is passed at the annual general meeting of members set forth in the preceding paragraph, the accounting auditor shall be deemed to have been reelected at said general meeting of members.
- (3) Notwithstanding the provisions set forth in the preceding two paragraphs, in cases where the provisions of the articles of incorporation that provide for accounting auditors are amended, the accounting auditor's term of office shall expire when the amendment to the articles of incorporation takes effect.

(Dismissal)

Article 70 (1) Officers and accounting auditors may be dismissed at any time by resolution at a general meeting of members.

- (2) A person dismissed pursuant to the provisions of the preceding paragraph, except when there are justifiable grounds with respect to the dismissal, may demand payment from the general incorporated association for damages arising from the dismissal.

(Dismissal of an Accounting Auditor by an Auditor)

Article 71 (1) If an accounting auditor comes to fall under any of the following conditions, the auditor may dismiss the accounting auditor:

- (i) The accounting auditor has violated the obligations of his/her duties or has been negligent in the performance thereof;
 - (ii) He/she has committed conduct unbecoming of an accounting auditor;
 - (iii) Due to a mental or physical disorder, the accounting auditor is unable to perform his/her duties or is incapable of bearing the demands of his/her duties.
- (2) In cases where there are two or more auditors, any dismissal pursuant to the provisions of the preceding paragraph shall be effected with the consensus of

all auditors.

- (3) If an accounting auditor is dismissed pursuant to the provisions set forth in paragraph (1), the auditor (if there are two or more auditors, the auditor that they have decided on among themselves) shall report on the dismissal and the grounds thereof at the first general meeting of members convened after this dismissal.

(Agreement of Auditors, etc. with Respect to the Election of an Auditor)

Article 72 (1) In cases where there is an auditor, when submitting a proposal pertaining to the election of an auditor, the director shall obtain the agreement of said auditor (if two or more auditors exist, a majority thereof).

- (2) Auditors may request that the director submit a proposal at a general general meeting of members stating that the purpose of the general meeting of members is to elect an auditor, or pertains to the election of an auditor.

(Agreement of Auditors with Respect to the Election of an Accounting Auditor)

Article 73 (1) In a general incorporated association with auditors, before carrying out any of the following acts, the director shall obtain the agreement of said auditor (if two or more auditors exist, a majority thereof):

- (i) Submitting a proposal pertaining to the election of an accounting auditor at a general meeting of members;
 - (ii) Stating that the dismissal of an accounting auditor is the purpose of a general meeting of members;
 - (iii) Stating that not reelecting an accounting auditor is the purpose of a general meeting of members
- (2) Auditors may request that the director perform any of the acts set forth below:
 - (i) Submit a proposal pertaining to the election of an accounting auditor at a general meeting of members;
 - (ii) State that the election or dismissal of an accounting auditor is the purpose of a general meeting of members;
 - (iii) State that not reelecting an accounting auditor is the purpose of a general meeting of members

(Stating an Opinion Pertaining to the Election of an Auditor)

Article 74 (1) Auditors may state their opinions with respect to the election or the dismissal, or the resignation of an auditor at a general meeting of members.

- (2) A person who has resigned as auditor may attend the first general meeting of members convened after his/her resignation to state the fact that he/she has resigned and the reasons therefor.
- (3) The director shall notify the person set forth in the preceding paragraph to

the effect that a general meeting of members has been convened pursuant to said paragraph as well as matters set forth in Article 38, paragraph (1), item (i).

- (4) The provisions set forth in paragraph (1) shall apply mutatis mutandis to accounting auditors, and the provisions of the preceding two paragraphs shall apply mutatis mutandis to persons who have resigned as an accounting auditor or those who were dismissed as an accounting auditor pursuant to the provisions of Article 71, paragraph (1), respectively. In such cases, the term "with respect to the election or the dismissal, or the resignation of an auditor at the general meeting of members" in paragraph (1) shall be deemed to be replaced with "with respect to the election, the dismissal or the refusal of reelection, or the resignation of an accounting auditor, attending a general meeting of members"; in paragraph (2), the term "after resignation" shall be deemed to be replaced with "after dismissal or resignation," and the term "the fact that he/she has resigned and the reasons therefor" shall be deemed to be replaced with "the fact that he/she has resigned and the reasons therefor or an opinion on the dismissal".

(Measures to Be Taken in the Event of a Vacancy Among the Officers)

- Article 75 (1) In cases where a vacancy arises among the officers or a shortage occurs in the number of officers prescribed in this Act or the articles of incorporation, an officer who has been terminated due to the expiration of his/her term of office or by resignation shall have the rights and obligations to serve as an officer until such time as a newly elected officer (including persons who are to perform the duties of a temporary officer as provided in the following paragraph) assumes the role.
- (2) In cases set forth in the preceding paragraph, when the court finds necessary, it may elect a person to perform the duties of a temporary officer, upon petition by an interested party.
- (3) The court may determine, when electing a person to perform the duties of a temporary officer as set forth in the preceding paragraph, the amount of remuneration that the general incorporated association shall pay said person.
- (4) In cases where a vacancy arises among the accounting auditors or a shortage occurs in the number of accounting auditors prescribed in the articles of incorporation, if an accounting auditor is not elected without delay, the auditor shall elect a person to perform the duties of a temporary accounting auditor.
- (5) The provisions of Article 68 and Article 71 shall apply mutatis mutandis to the person who is to perform the duties of a temporary accounting auditor as referred to in the preceding paragraph.

Subsection 4 Directors

(Administration of Business Operations)

Article 76 (1) Except when otherwise provided in the articles of incorporation, directors shall administer the business operations of the general incorporated association (except for a general incorporated association with council; the same shall apply hereinafter in this Article).

(2) If there are two or more directors, except when otherwise provided in the articles of incorporation, the business operations of the general incorporated association shall be determined by a majority rule among the directors.

(3) In cases set forth in the preceding paragraph, directors may not delegate decisions on the matters set forth below to other directors:

(i) The establishment, relocation, or abolishment of a branch office;

(ii) The matters set forth in the items in Article 38, paragraph (1);

(iii) The establishment of a system that ensures that the performance of duties of the directors is in compliance with laws and regulations as well as the articles of incorporation, and the establishment of a system, as prescribed in the applicable Ordinance of the Ministry of Justice as being necessary, to ensure that all other business of the general incorporated association is conducted in the proper manner;

(iv) Exemption from liability pursuant to Article 111, paragraph (1) based on the provisions of the articles of incorporation as prescribed in Article 114, paragraph (1).

(4) In a large-scale general incorporated association, directors shall make decisions regarding the matters set forth in item (iii) of the preceding paragraph.

(Representation of a General Incorporated Association)

Article 77 (1) The director shall represent the general incorporated association; this shall not apply in cases where a representative director or other persons who represent the general incorporated association are otherwise provided for.

(2) In cases where there are two or more directors as set forth in the main clause of the preceding paragraph, each director shall represent the general incorporated association.

(3) The general incorporated association (excluding a general incorporated association with council) may designate a representative director from among the directors either by means of the articles of incorporation, by choosing a director from among their number as provided for in the articles of incorporation, or by resolution at a general meeting of members.

(4) The representative director shall have the authority to perform all judicial and extra-judicial acts pertaining to the business of the general incorporated association.

(5) No limitation on a director's authority set forth in the preceding paragraph may be duly asserted against a third party in good faith.

(Liability to Compensate for Damages Arising from the Acts of Representatives)

Article 78 A general incorporated association shall be liable to provide compensation for damages caused to a third party by its representative director or other representatives in the course of performing their duties.

(Measures to Be Taken in the Event of a Vacancy Among the Representative Directors)

Article 79 (1) In cases where a vacancy arises among representative directors or a shortage occurs in the number of representative directors prescribed in the articles of incorporation, a representative director who has been terminated due to the expiration of his/her term of office or by resignation has the rights and obligations to serve as a representative director until such time as a newly appointed representative director (including persons who are to perform the duties of a temporary representative director set forth in the following paragraph) assumes the role.

(2) In cases set forth in the preceding paragraph, when finding it necessary, the court may elect a person to perform the duties of a temporary representative director upon petition by an interested party.

(3) The court, when electing a person to perform the duties of a temporary representative director as set forth in the preceding paragraph, may determine the amount of remuneration that the general incorporated association shall pay that person.

(Authority of a Person Acting on Behalf of a Director)

Article 80 (1) A person who is elected to act on behalf of a director or a representative director by a provisional disposition order pursuant to Article 65 of the Civil Provisional Remedies Act (Act No. 91 of 1989), shall obtain the approval of the court when engaged in an act not belonging to the regular business of the general incorporated association, except when otherwise provided for in the provisional disposition order.

(2) Any act performed in violation of the provisions of the preceding paragraph by a person acting for a director or a representative director shall be null and void. The general incorporated association may not duly assert this against a third party in good faith.

(Representation of the Juridical Person in an Action between the General Incorporated Association and a Director)

Article 81 Notwithstanding the provisions of Article 77, paragraph (4), in cases where a general incorporated association brings an action against a director (or a person who was a director; the same shall apply hereinafter in this Article), or a director brings an action against the general incorporated association, a person may be designated at a general meeting of members to represent the general incorporated association with respect to said action.

(Apparent Representative Director)

Article 82 In cases where a general incorporated association has given a director other than the representative director a title that is perceived as conferring the authority to represent the president, or otherwise represent the general incorporated association, said general incorporated association shall be liable for any action performed by said director with respect to a third party without knowledge.

(Duty of Loyalty)

Article 83 Directors shall comply with the laws and regulations, the articles of incorporation, and the resolutions of general meetings of members, and shall loyally perform their duties for the benefit of the general incorporated association.

(Restrictions on Competition and Conflict-of-Interest Business Transactions)

Article 84 (1) In the following cases, a director shall disclose any important facts with respect to business transactions at the general meeting of members, and receive the approval of said general meeting:

- (i) When a director contemplates engaging in a business transaction for the sake of himself/herself or for a third party that is categorized as being the business of the general incorporated association;
 - (ii) When a director contemplates engaging in a business transaction with the general incorporated association for the sake of himself/herself or for a third party;
 - (iii) When the general incorporated association intends to guarantee debts of a director or otherwise to carry out transactions with a person other than the director that results in a conflict of interest between the general incorporated association and the director.
- (2) The provisions of the Civil Code (Act No. 89 of 1896), Article 108 shall not apply to business transactions prescribed in item (ii) of the preceding paragraph that have received approval pursuant to the provisions set forth in said paragraph.

(Director's Obligation to Report)

Article 85 On discovering facts that could potentially cause significant damage to the general incorporated association, the director shall immediately report on said facts to the members (an auditor in a general incorporated association with auditors).

(Election of an Inspector Pertaining to the Administration of Business Operations)

Article 86 (1) With respect to the administration of the general incorporated association's business operations, if there are grounds that raise serious suspicions of improper acts or violations of laws and regulations or the articles of incorporation, members who have at least one-tenth (if a lower ratio is prescribed in the articles of incorporation, that ratio) of the voting rights of all members may petition the court to elect an inspector in order to investigate the business and the state of property of the general incorporated association.

- (2) When receiving the petition set forth in the preceding paragraph, the court, unless dismissing the petition as being unlawful, shall elect an inspector.
- (3) When electing an inspector as set forth in the preceding paragraph, the court may determine the amount of compensation to be paid to said inspector by the general incorporated association.
- (4) The inspector set forth in paragraph (2) may, when it is considered necessary for the performing of his/her duties, investigate the business and the state of property of the subsidiary of the general incorporated association.
- (5) The inspector set forth in paragraph (2) shall conduct the required investigation, and report thereon by providing documents or electromagnetic records containing or recording the results of the investigation (limited to those prescribed in the applicable Ordinance of the Ministry of Justice) to the court.
- (6) With respect to the report set forth in the preceding paragraph, when it becomes necessary to make the contents of said report clear or to verify the grounds thereof, the court may require further reports, as set forth in the preceding paragraph, by the inspector set forth in paragraph (2).
- (7) When submitting a report pursuant to paragraph (5), the inspector set forth in paragraph (2) shall provide a copy of the documents set forth in paragraph (5) or matters recorded in the electromagnetic records set forth in the same paragraph by a method prescribed in the applicable Ordinance of the Ministry of Justice to the general incorporated association and to members who petitioned for the election of the inspector.

(Court Decision to Convene a General Meeting of Members)

Article 87 (1) When receiving the report set forth in the preceding Article, paragraph (5), and when finding it necessary, the court shall order the directors to comply with the whole or a part of the following measures:

- (i) To convene a general meeting of members within a fixed period;
 - (ii) To notify members of the results of the investigation set forth in the preceding Article, paragraph (5).
- (2) In cases where the court orders the measures set forth in the preceding paragraph, item (i), the directors shall disclose the contents of the report set forth in the preceding Article, paragraph (5), at the general meeting of members set forth in the preceding paragraph, item (i).
- (3) When prescribed in the preceding paragraph, the directors (in a general incorporated association with auditors, the directors and the auditors) shall investigate the contents of the report in the preceding Article, paragraph (5), and report the results thereof at the general meeting of members set forth in paragraph (1), item (i).

(Enjoinder of a Director's Actions by the Members)

- Article 88 (1) In cases where a director engages in an action outside of the scope of purpose of the general incorporated association or engages in an action that violates laws and regulations or the articles of incorporation, or where said director is likely to engage in such acts, where such actions are likely to cause substantial damage to the general incorporated association, members may demand that said director refrain from carrying out such actions.
- (2) With respect to the application of the provisions of the preceding paragraph in a general incorporated association with auditors, the term "substantial damage" shall be "irreparable damage".

(Remuneration for Directors)

- Article 89 Remuneration for directors (meaning compensation, bonuses, and other financial profits that directors receive from the general incorporated association as consideration for the performance of duties; the same shall apply hereinafter), if the amount thereof is not prescribed in the articles of incorporation, shall be determined by resolution at the general meeting of members.

Subsection 5 Councils

(Authority, etc. of the Council)

- Article 90 (1) The council shall be composed of all directors.
- (2) The council shall perform the duties identified below:
- (i) The determination of the business of the general incorporated association with council;
 - (ii) The supervision of the duties of directors;
 - (iii) The appointment and removal of the representative director.

- (3) The council shall appoint a representative director from among the directors.
- (4) The council may not delegate the following matters or other important decisions on the administration of business operations:
 - (i) The disposition and acceptance of important property;
 - (ii) Borrowings in a significant amount;
 - (iii) The election and dismissal of important employees;
 - (iv) The establishment, modification, and abolition of branch offices and other important organizations;
 - (v) The establishment of a system that ensures that the directors' performance of their duties is in compliance with the laws and regulations as well as the articles of incorporation, and the establishment of a system, as prescribed in the applicable Ordinance of the Ministry of Justice as being necessary to ensure that all other business of the general incorporated association is conducted in the proper manner;
 - (vi) The exemption of the responsibilities set forth in Article 111, paragraph (1) based on the provisions of the articles of incorporation pursuant to the provisions of Article 114, paragraph (1).
- (5) In a general incorporated association with council which is a large-scale general incorporated association, the council shall make decisions on the matters set forth in the preceding paragraph, item (v).

(Authority of a Director in a General Incorporated Association with Council)

Article 91 (1) The following directors shall execute the business operations of a general incorporated association with council:

- (i) Representative director;
 - (ii) Directors, other than the representative director, who are appointed by resolutions of the council to administer the business operations of the general incorporated association with council.
- (2) A minimum of once every three months, the directors set forth in the items in the preceding paragraph shall report to the council on the state of performance of their own duties; provided, however, that this shall not apply if the articles of incorporation provide that such reports shall be made at least twice every business year at intervals of more than four months.

(Restrictions on Competition and on Business Transactions, etc. with a General Incorporated Association with Council)

Article 92 (1) With respect to the application of the provisions of Article 84, in a general incorporated association with council, the term "general meeting of members" in the same Article, paragraph (1) shall be deemed to be replaced with the term "council".

- (2) In a general incorporated association with council, a director who has engaged

in business transactions identified in the items set forth in Article 84, paragraph (1) shall report to the council, without delay, any important facts regarding the business after said transactions.

(Convener)

- Article 93 (1) Council meetings shall be convened by the directors. However, if the articles of incorporation or the council prescribe a given director to be the one who convenes council meetings, that director shall convene meetings.
- (2) In cases where such provisions are made pursuant to the proviso set forth in the preceding paragraph, directors other than the director designated pursuant to the proviso set forth in the same paragraph (hereinafter referred to as the "convener" in this paragraph and Article 101, paragraph (2)) may indicate matters to be the purpose of a council meeting and demand the convocation of the council.
- (3) In cases where within five days from the request prescribed in the preceding paragraph, no notice to convene for a council meeting was issued stating a date within two weeks from the date of the demand as the date of the council meeting, the director who made the demand may convene a council meeting.

(Procedures for Convocation)

- Article 94 (1) The director who convenes a council meeting shall issue notice thereof to each director and auditor at least one week (if a shorter time period is prescribed in the articles of incorporation, that time period) prior to the planned date of said council meeting.
- (2) Notwithstanding the provisions of the preceding paragraph, a council meeting may be convened without due convocation procedures, provided that there is a consensus among all directors and auditors.

(Resolutions at a Council Meeting)

- Article 95 (1) Resolutions at a council meeting are made by majority vote (if a larger ratio is provided in the articles of incorporation, that ratio) with the majority (if a higher ratio is provided in the articles of incorporation, that ratio) of directors who are qualified to participate in resolutions present.
- (2) With respect to the resolutions set forth in the preceding paragraph, directors who have a vested interest in a resolution may not vote thereon.
- (3) With respect to agenda of the council meeting, the minutes shall be prepared pursuant to the provisions of the applicable Ordinance of the Ministry of Justice. If minutes are prepared in the form of a written document, the attending directors (where the articles of incorporation provide that the director who shall sign or affix a seal to the minutes is designated as the representative director who has attended the council meeting, that

representative director) and auditor shall sign them or affix their names and seal thereto.

- (4) In cases where the minutes set forth in the preceding paragraph are prepared in the form of an electromagnetic record, with respect to the matters that are recorded in said electromagnetic records, measures shall be taken to provide alternative means for affixing signatures or names and seals in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice.
- (5) Directors who have participated in a resolution at the council meeting and who are not recorded as having raised objections in the minutes set forth in paragraph (3) shall be assumed to have voted in favor of the resolution.

(Omission of Resolution at a Council Meeting)

Article 96 Regarding general incorporated associations with council, in cases where a director has made a proposal on a matter that is to be a purpose of a resolution at a council meeting, if all directors (limited to directors who are qualified to vote on the matter) have provided a manifestation of intent of agreement either in writing or in electromagnetic records (except when an auditor has stated an objection to the proposal), said general incorporated association with council may provide in its articles of incorporation that voting passing the proposal is presumed.

(Minutes)

- Article 97 (1) A general incorporated association with council shall keep at its principal office either the minutes set forth in Article 95, paragraph (3) or the manifestations of intent set forth in the preceding Article, whether recorded in written form or in electromagnetic records (hereinafter referred to as "minutes, etc." in this Article) , for ten years after the date of the relevant council meeting (including the date when a vote by said council meeting is presumed pursuant to the provisions of the preceding Article).
- (2) Members, if necessary to exercise their rights may, upon obtaining the approval of the court, make the following requests:
- (i) If the minutes, etc. set forth in the preceding paragraph are prepared in written form, a request to inspect or copy the relevant documents;
 - (ii) If the minutes, etc. set forth in the preceding paragraph are prepared in electromagnetic records, a request to inspect or copy a display of anything recorded in said electromagnetic records in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice.
- (3) When it is necessary for pursuing the liability of a director or auditor, a creditor may, with the court's approval, make the requests set forth in the items in the preceding paragraph concerning minutes, etc.
- (4) The court, when it finds that the performance of inspection or copying

pursuant to the demands set forth in the preceding two paragraphs could potentially cause significant damage to the general incorporated association with council, may not grant the approval set forth in the preceding two paragraphs.

(Omission of a Report to the Council)

- Article 98 (1) If a director, an auditor, or an accounting auditor has provided notification to all directors and auditors of the matters to be reported to the council, he/she does not need to report on such matters to the council.
- (2) The provisions of the preceding paragraph shall not apply to reports that are made pursuant to the provisions of Article 91, paragraph (2).

Subsection 6 Auditors

(Authority of Auditors)

- Article 99 (1) Auditors shall audit directors' performance of their duties. When an auditor does so, he/she shall prepare an audit report as prescribed by the applicable Ordinance of the Ministry of Justice.
- (2) Auditors may request reports on business from directors and employees, or investigate the state of business and property of the general incorporated association with auditors at any time.
- (3) Auditors, when it is considered necessary for the performance of their duties, may request reports on business from subsidiary of the general incorporated association with auditors, or investigate the state of business and property of said subsidiary.
- (4) The subsidiary set forth in the preceding paragraph may refuse the report or investigation set forth in said paragraph when there are justifiable grounds for refusing it.

(Obligation to Provide Reports to Directors)

- Article 100 If he/she finds that a director is engaged in an illegal act or can potentially engage in such an act, or if he/she finds facts that indicate a violation of the laws and regulations or the articles of incorporation, or there are facts indicating that the director is engaged in a significantly improper act, an auditor shall provide a report on said matters to the directors (in a general incorporated association with council, the council) without delay.

(Obligation to Attend Council Meetings, etc.)

- Article 101 (1) An auditor shall attend council meetings and provide his/her opinions when it is considered necessary to do so.
- (2) In cases set forth in the preceding Article, when it is considered necessary, an

auditor may demand that a director (in the case prescribed in the proviso set forth in Article 93, paragraph (1), the convener) convene a council meeting.

- (3) In cases where within five days from the demand prescribed in the preceding paragraph, no notice to convene for a council meeting was issued stating a date within two weeks from the date of the demand as the date for the council meeting, the auditor who made the demand may convene a council meeting.

(Obligation to Provide a Report at a General Meeting of Members)

Article 102 An auditor shall investigate proposals, documents, and other items prescribed in the applicable Ordinance of the Ministry of Justice that a director intends to submit at a general meeting of members. In such cases, if he/she finds matters that are in violation of laws and regulations or the articles of incorporation, or are significantly improper, an auditor shall provide a report on the results of the investigation at a general meeting of members.

(Enjoinment of a Director's Actions by an Auditor)

Article 103 (1) In cases where a director engages in an action outside of the scope of purpose of the general incorporated association with auditors, or engages in an action that violates laws and regulations or the articles of incorporation, or where a director can potentially engage in such acts, and such acts can cause substantial damage to the general incorporated association with auditors, the auditor may demand with respect to the director that he/she refrain from conducting said acts.

- (2) In cases referred to in the preceding paragraph, if the court orders that with respect to the director set forth in said paragraph the acts be restrained by means of a provisional disposition, security shall not be allowed to be provided.

(Representation of the Juridical Person in an Action between a General Incorporated Association with Auditors and Its Directors)

Article 104 (1) Notwithstanding the provisions set forth in Article 77, paragraph (4) and Article 81, in cases where a general incorporated association with auditors brings an action against a director (including a person who was a director; the same shall apply hereinafter in this Article) or a director brings an action against a general incorporated association with auditors, the auditor shall represent the general incorporated association with auditors with respect to the action.

- (2) Notwithstanding the provisions of Article 77, paragraph (4), in the following cases, an auditor shall represent a general incorporated association with auditors:

(i) The general incorporated association with auditors is subject to a request to file an action (limited to a request to file an action for the questioning of the

- liability of a director), as set forth in Article 287, paragraph (1);
- (ii) The general incorporated association with auditors is subject to a third-party notice (limited to actions for the questioning of the liability of a director), as set forth in Article 280, paragraph (3) and notice and demand (limited to out of court settlements in an action pertaining to an action for the questioning of the liability of a director), as prescribed in Article 281, paragraph (2).

(Remuneration for Auditors)

- Article 105 (1) The remuneration for auditors, if the amount thereof is not prescribed in the articles of incorporation, shall be determined by resolution at a general meeting of members.
- (2) If there are two or more auditors, and if there is no prescription in the articles of incorporation or resolution at a general meeting of members with respect to remuneration for auditors, such remuneration, within the range of remuneration as prescribed in the preceding paragraph, shall be determined by agreement among the auditors.
- (3) Auditors may state their opinions regarding their remuneration at a general meeting of members.

(Claims for Payment for Expenses)

- Article 106 If, with respect to the performance of his/her duties, an auditor makes any of the following claims of the general incorporated association with auditors, the general incorporated association with auditors may not refuse the claim, except when the expenses or claims pertaining to the claim are proved to be unnecessary for the performance of duties of the auditor:
- (i) Claim for advance for expenses;
- (ii) Claim for reimbursement of expenses or accrued interest after the date of expenditure;
- (iii) Claim for payment to a creditor on a debt that the auditor incurred (if said debt is not within a payment due period, provision of reasonable security).

Subsection 7 Accounting Auditors

(Authority of Accounting Auditors)

- Article 107 (1) Accounting auditors, as prescribed in the succeeding Section, audit the financial statements (meaning the financial statement prescribed in Article 123, paragraph (2); the same shall apply in Article 117, paragraph (2), item (i) (a)) and their annexed detailed statements of the general incorporated association. In such cases, accounting auditors shall prepare accounting auditing reports as prescribed in the applicable Ordinance of the Ministry of

Justice.

- (2) Accounting auditors may at any time inspect and copy the materials set forth below, or request accounting reports from directors and employees:
 - (i) If accounting books or related materials are prepared in the form of a document, that document;
 - (ii) If accounting books or related materials are prepared in electromagnetic records, anything recorded in said electromagnetic records and displayed by a method prescribed in the applicable Ordinance of the Ministry of Justice.
- (3) When it is necessary for the performance of his/her duties, an accounting auditor may seek reports on accounting from subsidiaries of the general incorporated association with accounting auditors, or investigate the state of business and property of the general incorporated association with accounting auditors or its subsidiary.
- (4) The subsidiary in the preceding paragraph may refuse the report or investigation of the same paragraph if justifiable grounds for such refusal exist.
- (5) In performing his/her duties, an accounting auditor may not make use of any person who comes under any one of the following categories:
 - (i) A person set forth in Article 68, paragraph (3), item (i) or item (ii);
 - (ii) A person who is a director, an auditor, or an employee of a general incorporated association with accounting auditors or its subsidiary;
 - (iii) A person who is receiving continual remuneration from business other than that received as a certified public accountant or an auditing firm from a general incorporated association with accounting auditors or a subsidiary thereof.

(Providing Reports to the Auditor)

- Article 108 (1) In performing his/her duties, if an accounting auditor discovers that a director is engaged in an illegal act or discovers facts that indicate violation of the laws and regulations or the articles of incorporation, said accounting auditor shall report on the findings to the auditor without delay.
- (2) An auditor, when it is necessary for the performance of his/her duties, may request reports on auditing from the accounting auditor.

(Statements of Opinion by Accounting Auditors at Annual General Meetings of Members)

- Article 109 (1) If an accounting auditor and auditor have different opinions on whether the documents prescribed in Article 107, paragraph (1) are in compliance with laws and regulations or the articles of incorporation, that accounting auditor (if the accounting auditor is an auditing firm, a member who performs these duties; the same shall apply in the following paragraph) may attend the annual general meeting of members and provide his/her

opinion.

- (2) If a resolution is passed at the annual general meeting of members requesting an accounting auditor's attendance, that accounting auditor shall attend the annual general meeting of members and provide his/her opinions.

(The Auditor's Involvement in the Determination of Remuneration for Accounting Auditors)

Article 110 When determining the remuneration for an accounting auditor or a person who shall perform the duties of a temporary accounting auditor, the director shall obtain the agreement of the auditor (if there are two or more auditors, a majority of the same).

Subsection 8 Liability of the Officers for Compensation for Damages

(Liability of the Officers for Compensation for Damages with Respect to the General Incorporated Association)

Article 111 (1) If a director, an auditor, or an accounting auditor (hereinafter referred to as "officers" in this Subsection and Article 301, paragraph (2), item (xi)) is negligent in performing his/her duties, he/she is liable for compensating any damages arising therefrom with respect to the general incorporated association.

(2) If a director engages in a business transaction set forth in Article 84, paragraph (1), item (i) in violation of the provisions of said Article, paragraph (1), the amount of profit gained by the director or a third party is assumed to be the amount of damage set forth in the preceding paragraph.

(3) If damage is caused to the general incorporated association through a business transaction as provided in Article 84, paragraph (1), item (ii) or (iii), the directors set forth below shall be assumed to have been negligent in the performance of their duties:

(i) The director set forth in Article 84, paragraph (1);

(ii) The director who made the decision that the general incorporated association should engage in said business transaction;

(iii) Directors who voted in favor of the resolution of the council with respect to said business transaction.

(Exemption from Liability for Compensation for Damages with Respect to the General Incorporated Association)

Article 112 The liability set forth in the preceding Article, paragraph (1), may not be forgiven without the consent of all members.

(Partial Exemption from Liability)

Article 113 (1) Notwithstanding the provisions of the preceding Article, the liability of officers set forth in Article 111, paragraph (1) may be forgiven by resolution at a general meeting of members, with a maximum limitation determined by deducting the amount set forth in item (ii) (referred to as the "minimum amount of liability" in Article 155, paragraph (1)) from the amount set forth in item (i), provided, however, that officers performed their duties in good faith and without gross negligence:

(i) Amount of liability for damages;

(ii) The amount that the officer, during his/her employment, received from the general incorporated association as consideration for the performance of his/her duties, or the amount equivalent to the amount corresponding to property benefit per year, assessed by a method prescribed in the applicable Ordinance of the Ministry of Justice, multiplied by a number provided in (a) through (c) according to the classification of the officer set forth in (a) through (c) below:

(a) Representative director: 6

(b) A director other than a representative director, who is not an external director (meaning a director of the general incorporated association who is not an executive director of the general incorporated association or its subsidiary (meaning a representative director or a director other than a representative director, appointed by a resolution of the council as a director who administers the business operations of the general incorporated association, and another director who has administered the business operations of the general incorporated association; the same shall apply hereinafter in this Chapter) or meaning a person who is not an employee and has not previously been an executive director or an employee of the general incorporated association or its subsidiary; the same shall apply hereinafter in this Subsection and Article 301, paragraph (2), item (xiii)): 4

(c) External director, auditor, or accounting auditor: 2

(2) In cases set forth in the preceding paragraph, the directors shall disclose the matters set forth below at the general meeting of members set forth in the preceding paragraph:

(i) The matter that caused the liability and the amount of liability for compensation;

(ii) Any limitation on the amount that can be forgiven pursuant to the provisions of the preceding paragraph, and the basis for the calculation of same;

(iii) The reasons for the exemption from liability and the amount of exemption.

(3) In a general incorporated association with auditors, before a director submits a proposal pertaining to an exemption from liability under Article 111,

paragraph (1) (limited to the director's exemption from liability) at a general meeting of members, he/she shall obtain the agreement of the auditor (if there are two or more auditors, the agreement of each auditor).

- (4) If the resolution under paragraph (1) is passed and the general incorporated association provides retirement allowances or other property benefits prescribed in the applicable Ordinance of the Ministry of Justice to the officer set forth in said paragraph after such resolution, such action shall require approval at a general meeting of members.

(Provisions in the Articles of Incorporation Pertaining to Exemption by Directors, etc.)

Article 114 (1) Notwithstanding the provisions of Article 112, the general incorporated association with auditors (provided there are two or more directors), with respect to the liability under Article 111, paragraph (1), in cases where there is no gross negligence in the officers' performance of their duties and they have acted in good faith, and considering the nature of the facts that caused the liability, the circumstances under which the officers performed their duties and other circumstances, and when finding it especially necessary, may provide in the articles of incorporation that exemption can be granted with a maximum limitation equal to the amount that can be exempted pursuant to the provisions of the preceding Article, paragraph (1), based on agreement by a majority of directors (except the director who carries said liability) (in a general incorporated association with council, by resolution of the council).

- (2) The provisions of the preceding Article, paragraph (3) shall apply mutatis mutandis to cases where, pursuant to the provisions under the preceding paragraph, a proposal to establish provisions (limited to provisions that provide that the liability of directors can be exempted) by amending the articles of incorporation, is to be submitted at a general meeting of members, to cases where agreement by directors is to be obtained pertaining to the exemption from liability (limited to the directors' exemption from liability) based on provisions in the articles of incorporation pursuant to the provisions of the same paragraph, and to cases where a proposal pertaining to the exemption of that liability is to be submitted to the council.

- (3) When agreeing (in a general incorporated association with council, when the council resolves) to the officers' exemption from liability based on provisions in the articles of incorporation pursuant to the provisions of paragraph (1), directors shall without delay notify members that any objection to the matters set forth in the preceding Article, paragraph (2), each item and to the exemption from liability, are to be stated within a fixed period; provided, however, that such a period shall not be less than one month.

- (4) If members with at least one-tenth of the voting rights (if a lower ratio is provided in the articles of incorporation, that ratio) of all the members (exclusive of the officers who carry the liability under the preceding paragraph) state objections pursuant to the preceding paragraph within the period specified in said paragraph, the general incorporated association shall not grant an exemption based on the provisions of the articles of incorporation pursuant to the provisions of paragraph (1).
- (5) The provisions of the preceding Article, paragraph (4), shall apply mutatis mutandis to cases where the liability is exempted from pursuant to the provisions of paragraph (1).

(Limited Liability Contracts)

Article 115 (1) Notwithstanding the provisions set forth in Article 112, with respect to the liability under Article 111, paragraph (1) of external officers, etc., (meaning an external director, an external auditor (meaning an auditor with the general incorporated association who has never been a director or an employee of the general incorporated association or its subsidiary; the same shall apply in Article 301, paragraph (2), item (xiv)) or an accounting auditor; the same shall apply hereinafter in this Article and the same paragraph, item (xii)), the general incorporated association, may provide in the articles of incorporation that it can enter into a contract with external officers, etc. providing a limitation within the range of amounts provided in the articles of incorporation and equal to the greater of amount that the general incorporated association established in advance or the minimum liability amount, if the external officers, etc. have performed their duties in good faith and in absence of gross negligence.

- (2) If an external officer who entered into a contract under the preceding paragraph assumes the role of executive director or employee of the general incorporated association or its subsidiary, said contract shall lose its effect in the future.
- (3) The provisions of Article 113, paragraph (3) shall apply mutatis mutandis to cases where a proposal for the establishment of provisions (limited to provisions that permit entering into a contract with external directors) pursuant to the provisions of paragraph (1) through an amendment to the articles of incorporation is submitted at a general meeting of members.
- (4) If a general incorporated association that entered into a contract set forth in paragraph (1) learns that the external officers who were the other parties to the contract were negligent in performing their duties and as a result suffered damages, the general incorporated association shall disclose the matters set forth below at the first general meeting of members that is convened subsequently:

- (i) Matters set forth in Article 113, paragraph (2), item (i) and item (ii);
 - (ii) The terms of the contract and the reasons for which the contract was entered into;
 - (iii) Of the damages set forth in Article 111, paragraph (1), the amount for which the external officers are not liable for compensation.
- (5) The provisions of Article 113, paragraph (4) shall apply mutatis mutandis to cases where the external officers are not held liable for compensation for damages regarding the part of the damages that exceeds the limitations prescribed in the same paragraph according to the contract set forth in paragraph (1).

(Special Provisions on Business Transactions Conducted by a Director for Himself/Herself)

- Article 116 (1) The director who conducted the business transaction set forth in Article 84, paragraph (1), item (ii) (limited to transactions conducted for himself/herself) cannot be exempted from the liability under Article 84, paragraph (1), item (ii) on the grounds that he/she was not at fault for negligence in the performance of his/her duties.
- (2) The provisions of the preceding three Articles shall not apply to the liability set forth in the preceding paragraph.

(Officer Liability for Compensation for Damages to a Third Party)

- Article 117 (1) If officers have acted in bad faith or with gross negligence in the performance of their duties, said officers shall be liable to compensate third parties for damages resulting therefrom.
- (2) The provisions of the preceding paragraph shall also apply if any of the persons set forth in the items below commit the acts identified in said items; provided, however, that this shall not apply if the relevant person proves that he/she did not fail to exercise due care when performing said act:
- (i) Director: any of the acts set forth below:
 - (a) Making of a false entry or recording with respect to critical matters to be entered or recorded in financial statements or annexed detailed statements thereof;
 - (b) Giving a false notification on critical matters to be notified when recruiting persons who contribute funds (meaning the funding provided in Article 131) or false statements or records with respect to materials used for explanations regarding the business of the relevant general incorporated association and other matters for the purpose of such recruitment;
 - (c) Making a false registration;
 - (d) Giving a false public notice (including the measures provided in Article

128, paragraph (3));

- (ii) Auditor: making a false entry or recording with respect to critical matters to be entered or recorded in an auditing report;
- (iii) Accounting auditor: making a false entry or recording with respect to critical matters to be entered or recorded in an accounting auditing report.

(Joint and Several Liability of the Officers)

Article 118 In cases where officers assume the liability for compensation for damages caused to a general incorporated association or a third party, and other officers are also held liable for compensating for the damages, these persons are deemed to be joint and several obligors.

Section 4 Calculations

Subsection 1 Principles of Accounting

Article 119 The accounting for general incorporated associations shall conform to accounting practices that are generally deemed to be fair and reasonable, in accordance with the type of business in which they are engaged.

Subsection 2 Accounting Books

(Preparation and Retention of Accounting Books)

- Article 120 (1) The general incorporated association shall prepare accurate accounting books, as appropriate, in accordance with the provisions of the applicable Ordinance of the Ministry of Justice.
- (2) The general incorporated association shall retain accounting books and important materials pertaining to its business for ten years from the time the accounting book is closed.

(Request to Inspect Accounting Books)

Article 121 (1) Members who have at least one-tenth (if a lower ratio is prescribed in the articles of incorporation, that ratio) the voting rights of all members may make the following requests during the business hours of the general incorporated association; in such cases, the members shall clearly state the reasons for making the request:

- (i) If accounting books or materials pertaining to them are prepared in the form of documents, a request to inspect or copy said documents;
- (ii) If accounting books or materials pertaining to them are prepared in electromagnetic records, a request to inspect or copy the display of anything recorded in said electromagnetic records, in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice.

(2) The provisions of Article 32, paragraph (3) shall apply mutatis mutandis to the requests set forth in the preceding paragraph.

(Orders to Submit Accounting Books)

Article 122 The court, either in response to an application or by the court's own authority, may order the submission of accounting books, either wholly or in part.

Subsection 3 Financial Statements, etc.

(Preparation and Retention of Financial Statements, etc.)

Article 123 (1) The general incorporated association shall prepare a balance sheet as of the date of its formation, in accordance with the provisions of the applicable Ordinance of the Ministry of Justice.

(2) The general incorporated association shall prepare financial statements (meaning balance sheets and profit and loss statements; the same shall apply hereinafter in this Subsection), as well as business reports and annexed detailed statements thereof, in accordance with the provisions of the applicable Ordinance of the Ministry of Justice.

(3) Financial statements and business reports as well as annexed detailed statements thereof may be prepared in the form of electromagnetic records.

(4) The general incorporated association shall retain the financial statements and annexed detailed statements for ten years from the time said financial statements are prepared.

(Auditing of Financial Statements)

Article 124 (1) General incorporated associations with auditors shall receive auditing by an auditor on its financial statements, business reports, and annexed detailed statements thereof pursuant to the preceding Article, paragraph (2), in accordance with the provisions of the applicable Ordinance of the Ministry of Justice.

(2) Notwithstanding the provisions of the preceding paragraph, general incorporated associations with accounting auditors shall receive auditing by persons set forth in the following items, on matters set forth in the items below in accordance with the provisions of the applicable Ordinance of the Ministry of Justice:

(i) Financial statements and annexed detailed statements thereof set forth in the preceding Article, paragraph (2): auditor and accounting auditor;

(ii) Business reports and annexed detailed statements thereof under the preceding Article, paragraph (2): auditor.

(3) Regarding a general incorporated association with council, the financial

statements, business reports and annexed detailed statements thereof that have received auditing pursuant to paragraph (1) or the preceding paragraph shall require the approval of the council.

(Provision of Financial Statements, etc. to Members)

Article 125 In general incorporated associations with council, the director, when issuing a notice to convene for the annual general meeting of members, shall provide to members the financial statements, business reports, and the auditing reports that have received the approval set forth in the preceding Article, paragraph (3) (including accounting auditing reports if the provisions of the preceding Article, paragraph (2) are applied) as prescribed in the applicable Ordinance of the Ministry of Justice.

(Submission etc. of Financial Statements, etc. to an Annual General Meeting of Members)

Article 126 (1) At a general incorporated association set forth in the following items, the director shall submit or provide the financial statements and business reports prescribed in the respective items:

- (i) General incorporated association with auditors (except general incorporated associations with council and general incorporated associations with accounting auditors): the financial statements and business reports that received auditing pursuant to Article 124, paragraph (1);
 - (ii) General incorporated association with accounting auditors (except general incorporated associations with council): the financial statements and business reports that received auditing pursuant to Article 124, paragraph (2);
 - (iii) General incorporated association with council: the financial statements and business reports that received auditing pursuant to Article 124, paragraph (3);
 - (iv) General incorporated association other than those set forth in the preceding 3 items: financial statements and business reports set forth in Article 123, paragraph (2).
- (2) The financial statements that are submitted or provided pursuant to the provisions of the preceding paragraph shall require the approval of the annual general meeting of members.
- (3) The director shall report on the contents of the business report that was submitted or provided pursuant to the provisions of paragraph (1) at the annual general meeting of members.

(Special Provisions for General Incorporated Associations with Accounting Auditors)

Article 127 With respect to general incorporated associations with accounting auditors, in cases where the financial statements that receive approval pursuant to Article 124, paragraph (3) satisfy the requirements prescribed in the applicable Ordinance of the Ministry of Justice as correctly representing the financial assets and profit/loss condition of the general incorporated association in compliance with laws and regulations and the articles of incorporation, the provisions of the preceding Article, paragraph (2) shall not apply. In such cases, the director shall report on the content of the financial statements at the annual general meeting of members.

(Publication of Balance Sheets)

Article 128 (1) In accordance with the provisions of the applicable Ordinance of the Ministry of Justice, the general incorporated association shall publish its balance sheet without delay after the conclusion of its annual general meeting of members (for large-scale general incorporated associations, the balance sheet and the profit and loss statement).

(2) Notwithstanding the provisions of the preceding paragraph, for general incorporated associations whose method of publication is the method set forth in Article 331, paragraph (1), item (i) or item (ii), it is sufficient to publish a summary of the balance sheet prescribed in the preceding paragraph.

(3) The general incorporated association set forth in the preceding paragraph, pursuant to the provisions of the applicable Ordinance of the Ministry of Justice, may take measures so that, without delay after the conclusion of its annual general meeting of members, the information which is the content of the balance sheet prescribed in paragraph (1) can be provided to large numbers of indefinite persons continuously by electromagnetic means for five years from the date of conclusion of its annual general meeting of members. In such cases, the provisions of the preceding two paragraphs shall not apply.

(Keeping and Inspection of Financial Statements, etc.)

Article 129 (1) The general incorporated association shall keep its financial statements, etc. (meaning financial statements, business reports and annexed detailed statements thereof pertaining to each business year (in cases where the provisions of Article 124, paragraph (1) or paragraph (2) are applicable, this includes auditing reports or accounting auditing reports); the same shall apply hereinafter in this Article) for five years from one week before (for a general incorporated association with council, two weeks) the date of the annual general meeting of members (in the case of Article 58, paragraph (1), the day the proposal set forth in said paragraph was made) at its principal office.

(2) The general incorporated association shall keep copies of its financial

statements, etc. for three years beginning from one week before (for a general incorporated association with council, two weeks) the date of the annual general meeting of members (in the case of Article 58, paragraph (1), the day the proposal under the same paragraph was made) at its branch office; provided, however, that this shall not apply if the financial statements, etc. are prepared in electromagnetic records, and if measures are taken as prescribed in the applicable Ordinance of the Ministry of Justice in order to make it possible to comply, at its branch office, with the requests set forth in the following paragraph, item (iii) and item (iv).

(3) Members and creditors may make the following requests at any time during the business hours of the general incorporated association; however, when they make a request set forth in item (ii) or item (iv), they shall pay any costs prescribed by the general incorporated association:

(i) If financial statements are prepared in the form of a document, a request to inspect said document or a copy thereof;

(ii) A request for the delivery of a transcript or extract of the document set forth in the preceding item;

(iii) If the financial statements, etc. are prepared in the form of electromagnetic records, a request to inspect anything recorded in said electromagnetic records in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice;

(iv) A request that matters recorded in the electromagnetic records set forth in the preceding item be provided by electromagnetic means prescribed by the general incorporated association, or a request for the provision of documents describing said matters.

(Orders for the Submission of Financial Statements)

Article 130 The court, either in response to an application or by the court's own authority, may order the parties to an action to submit financial statements and annexed detailed statements thereof, either wholly or in part.

Section 5 Funds

Subsection 1 Solicitation of Persons to Contribute to Funds

(Provisions in the Articles of Incorporation Pertaining to the Solicitation of Persons to Contribute to Funds)

Article 131 General incorporated associations (before the formation of a general incorporated association, members at incorporation; the same shall apply in the following Article through Article 134 (exclusive of Article 133, paragraph (1), item (i)), and Article 136, item (i)) may provide in their articles of incorporation that they may recruit persons to contribute to funds (meaning

monetary and other forms of property contributed to the general incorporated association pursuant to the provisions of this Subsection, which the general incorporated association assumes the obligation to return (for non-monetary property, an obligation to return monies equivalent to the amount of the property at the time of contribution); the same shall apply hereinafter), pursuant to this Act and in accordance with the provisions of an agreement between the general incorporated association and the contributor). In such cases, the matters set forth below shall be provided in the articles of incorporation:

- (i) Provisions on the fund contributor's rights;
- (ii) Procedures for the return of the fund.

(Determination of the Particulars of Solicitation)

Article 132 (1) When attempting to conduct solicitation pursuant to the provisions of the preceding Article, the general incorporated association shall prescribe the following matters (hereinafter referred to as the "particulars of solicitation" in this Subsection) on each occasion thereof:

- (i) Total amount of the fund for which solicitation is conducted;
 - (ii) If non-monetary property is the subject of contribution, information to that effect as well as a description of the property and its value;
 - (iii) Payment of monies pertaining to the contribution to the fund or the date or duration of the delivery of the property set forth in the preceding item.
- (2) When establishing provisions regarding the particulars of solicitation, the members at incorporation shall obtain the consent of all members.

(Offering Funds)

Article 133 (1) The general incorporated association shall notify the persons offering to contribute funds in response to the solicitation set forth in Article 131 of the following matters:

- (i) Name of the general incorporated association;
 - (ii) Particulars of the solicitation;
 - (iii) If monies are to be paid, the place that will process the payment;
 - (iv) In addition to the matters set forth in the preceding three items, matters prescribed in the applicable Ordinance of the Ministry of Justice.
- (2) Persons who offer to contribute funds in response to the solicitation set forth in Article 131 shall deliver a document identifying the following matters to the general incorporated association:
- (i) The name and address of the person making the offer;
 - (ii) The amount of funds that the person is willing to contribute.
- (3) The person making the offer set forth in the preceding paragraph may provide, at the consent of the general incorporated association and as prescribed by

Cabinet Order, the matters to be included in the document set forth in said paragraph, by electromagnetic means. In such cases, the person making the offer shall be deemed to have issued the document set forth in the same paragraph.

- (4) When there is a change in the matters set forth in the items in paragraph (1), the general incorporated association shall immediately notify the person making the offer (hereinafter referred to as "offeror" in the Subsection) set forth in paragraph (2), of said change and the matters that have been changed.
- (5) If the general incorporated association is to serve a notice or demand to an offeror, it shall be sufficient to issue such a notice or demand to the offeror's address identified in paragraph (2), item (i) (if said offeror has notified the general incorporated association of another place or a contact address where notices or demands are to be received, that place or contact address).
- (6) The notice or demand set forth in the preceding paragraph shall be deemed to have arrived at the time when such notice or demand should normally arrive.

(Allocation of Funds)

Article 134 (1) The general incorporated association shall designate a person who shall receive the allotment of funds from among the offerors, and determine the amount of funds to be allotted to that person. In such cases, the general incorporated association may reduce the amount of funds to be allotted to the offeror below the amount provided in the preceding Article, paragraph (2), item (ii).

- (2) The general incorporated association shall notify the offerors of the amounts of funds to be allotted to the offeror by the day before the date set forth in Article 132, paragraph (1), item (iii) (if a time period for the item is prescribed, the first day of the period).

(Special Provisions on the Offering and Allotment of Funds)

Article 135 The provisions set forth in preceding two Articles shall not apply if the person contributing to funds enters into a contract subscribing to the total amount of the funds.

(Contributing Funds)

Article 136 Persons identified in the following items shall be deemed fund contributors in the amount of funds prescribed in the respective items:

- (i) Offeror: the amount of funds allotted by the general incorporated association;
- (ii) Persons contributing the total amount of funds pursuant to the contract set forth in the preceding Article: the amount of funds contributed by that person.

(Contribution of Non-monetary Property)

- Article 137 (1) When prescribing the matters identified in Article 132, paragraph (1), item (ii), the general incorporated association (before the formation of the general incorporated association, members at incorporation; the same shall apply in paragraph (6)) shall file, without delay after a decision is made on particulars of the solicitation, a petition with the court to elect an inspector to cause him/her to investigate the value of the property set forth in said item (hereinafter referred to as "non-monetary property").
- (2) In cases where a petition has been submitted pursuant to the provisions of the preceding paragraph, the court, unless dismissing the petition as being unlawful, shall elect an inspector.
- (3) When electing an inspector as set forth in the preceding paragraph, the court may prescribe the amount of remuneration to be paid to said inspector by the general incorporated association.
- (4) The inspector set forth in paragraph (2) shall conduct the required investigation, and shall report to the court by submitting documents or electromagnetic records (limited to those prescribed in the applicable Ordinance of the Ministry of Justice) containing or recording the results of that investigation.
- (5) With respect to the report set forth in the preceding paragraph, when the court finds it necessary to make the contents of said report clear or to verify the grounds thereof, it may require further reports set forth in the preceding paragraph of the inspector set forth in paragraph (2).
- (6) When submitting the report set forth in paragraph (4), the inspector set forth in paragraph (2) shall provide to the general incorporated association a copy of said document as prescribed in the same paragraph or matters recorded electromagnetically as referred to in the same paragraph in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice.
- (7) In cases where it has received the report set forth in paragraph (4), if the court finds the value set forth in Article 132, paragraph (1), item (ii), pertaining to non-monetary property (exclusive of property not investigated by the inspector as provided in paragraph (2)) to be unreasonable, it shall issue a decision modifying it.
- (8) In cases where the value of non-monetary property is modified in whole or in part by a decision pursuant to the preceding paragraph, fund contributors (limited to persons who deliver non-monetary property; the same shall apply in paragraph (10), item (ii)) may retract the intention they manifested pertaining to the offer to contribute funds or the contract set forth in Article 135, provided that said cancellation is done within one week from said decision.
- (9) In the cases set forth in the following items, the provisions of the preceding

paragraphs shall not apply to the matters prescribed in the respective items:

- (i) In cases wherein the total value set forth in Article 132, paragraph (1), item (ii), providing for non-monetary property, does not exceed five million yen: the value of said non-monetary property;
 - (ii) Of the non-monetary property, in cases wherein the value set forth in Article 132, paragraph (1), item (ii), providing for negotiable securities with market prices (meaning negotiable securities provided in the Financial Instruments and Exchange Act (Act No. 25 of 1948) Article 2, paragraph (1), including rights that are deemed to be negotiable securities under the provisions of paragraph (2) of the same Article; the same shall apply hereinafter), does not exceed that which is calculated in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice as the market price of said negotiable securities: the value of the non-monetary property with respect to said negotiable securities;
 - (iii) In cases wherein certification by an attorney, a legal professional corporation, a certified public accountant, an auditing firm, a tax accountant, or a tax accounting corporation is received to the effect that the value of the non-monetary property as prescribed in Article 132, paragraph (1), item (ii) is fair (if the non-monetary property is real property, said certification and an appraisal by a real property appraiser; the same shall apply hereinafter in this item): the value of the non-monetary property receiving the certification;
 - (iv) In cases wherein the non-monetary property is a monetary claim to the general incorporated association (limited to a monetary claim for which payment is due) and the value prescribed in Article 132, paragraph (1), item (ii) pertaining to said monetary claim does not exceed the debt pertaining to said monetary claim: the value of the non-monetary property with respect to the monetary claim.
- (10) None of the following persons may provide the certification prescribed in item (iii) of the preceding paragraph:
- (i) A director, an auditor, or an employee (before the formation of the general incorporated association, a member at incorporation, a director at incorporation, or an auditor at incorporation);
 - (ii) A fund contributor;
 - (iii) A person who has received an order to suspend business and for whom the period of said business suspension has not elapsed;
 - (iv) A legal professional corporation, an auditing firm, or a tax accountant corporation in which at least one-half of members falls under the categories set forth in item (i) or item (ii).

(Fulfillment of a Commitment to Contribute Funds)

Article 138 (1) The fund contributors (except persons who deliver non-monetary property) shall deposit the full amounts of their respective funds at a deposit processing place at the bank, etc. (meaning a bank prescribed in Article 2, paragraph (1) of the Banking Act (Act No. 59 of 1981), a trust company (meaning a trust company prescribed in Article 2, paragraph (2), of the Trust Business Act (Act No. 154 of 2004); the same shall apply in Article 248, paragraph (5)), or equivalent prescribed in the applicable Ordinance of the Ministry of Justice; the same shall apply in Article 157, paragraph (2)) specified by the general incorporated association (before the formation of a general incorporated association, members at incorporation) by the date prescribed in Article 132, paragraph (1), item (iii) or the period set forth in said item.

(2) The fund contributors (limited to persons who deliver non-monetary property) shall deliver non-monetary property equivalent to the deposit amounts of their respective funds by the date set forth in Article 132, paragraph (1), item (iii) or within the period set forth in the same item. In cases wherein the property is to be delivered before the formation of the general incorporated association; provided, however, that where there is the consent of all members at incorporation, this does not preclude the performance of acts necessary to assert the formation or relocation of registration, recording and other rights with respect to a third party after the formation of the general incorporated association.

(3) The fund contributors may not offset their obligations to make deposits pursuant to the provisions of paragraph (1) or to perform deliveries pursuant to the provisions of the preceding paragraph (hereinafter referred to as "the fulfillment of commitments to contribution" in this Subsection) against any claim they may have with respect to the general incorporated association.

(4) If a fund contributor fails to fulfill his/her commitment to contribute, the subscription to funds ceases to have effect.

(Period in which a Person Serves as a Contributor of Funds)

Article 139 (1) A fund contributor, as identified in the following items, who has fulfilled his/her commitment to contribute on the day prescribed in the respective item, shall become a contributor of funds:

- (i) If a date is prescribed pursuant to Article 132, paragraph (1), item (iii): that date;
- (ii) If a period is prescribed pursuant to Article 132, paragraph (1), item (iii): the day the commitment to contribute is fulfilled.

(2) Notwithstanding the provisions of the preceding paragraph, in cases wherein solicitation is made for persons contributing funds before the formation of the general incorporated association, said persons shall become contributors of

funds at the time the general incorporated association is formed, provided said person has fulfilled his/her commitment to contribute.

(Restrictions on the Invalidation or Rescission of Subscriptions)

Article 140 (1) The provisions set forth in the proviso to Civil Code Article 93 and Civil Code Article 94, paragraph (1) shall not apply to manifestations of intentions to offer to contribute funds, any allocations thereof, or the contracts set forth in Article 135.

(2) After the passage of one year from becoming a fund contributor pursuant to the provisions of the preceding Article, a contributor to funds may not claim invalidity of his/her subscription to funding on the grounds of an error, nor may he/she rescind the funding subscription on the grounds of fraud or duress.

Subsection 2 Return of Funds

(Return of Funds)

Article 141 (1) Any return of funds shall be carried out by a resolution passed at the annual general meeting of members.

(2) In cases where the amount of net assets on the balance sheet pertaining to a particular business year exceeds the total amounts set forth below, the general incorporated association may return funds within the limit of the period until the day immediately prior to the annual general meeting of members pertaining to the business year which follows the current business year, with the amount in excess of said total being the maximum limit on the total amount of such return:

(i) The total amount of funds (including the substitute funds set forth in Article 144, paragraph (1));

(ii) In cases wherein assets are evaluated based on the market price pursuant to the provisions of the applicable Ordinance of the Ministry of Justice, if the total amount of the market price exceeds the total amount of the acquired value, the amount of net assets on the balance sheet that increased due to the evaluation based on the market price.

(3) In cases wherein a the general incorporated association has returned funds in violation of the provisions set forth in the preceding paragraph, persons who received said return, and operating officer who executed said return (meaning executive directors and persons who were involved in the administration of business operations performed by the executive director); the same shall apply in the following paragraph and paragraph (5)) are obligated, jointly and severally, to pay the amount that was illegally returned to said general incorporated association.

(4) Notwithstanding the provisions of the preceding paragraph, the person who

executed said return, if he/she proves that he/she was not negligent in the performance of his/her duty, shall not assume the liability prescribed in the same paragraph.

- (5) The liability of the person executing the return set forth in paragraph (3) cannot be exempted; provided, however, that this shall not apply in cases where all members agree to exempt said liability, with the maximum limitation being the amount of excess set forth in paragraph (2).
- (6) In cases where a return of funds was made in violation of the provisions set forth in paragraph (2), creditors with respect to the general incorporated association may request of the person who received the return the return to the general incorporated association of the amount of said return.

(Prohibition on the Acquisition of Claims Pursuant to Returns of Funds)

Article 142 (1) Limited to the matters set forth below, the general incorporated association may acquire claims pursuant to returns of funds for which the association itself is a creditor:

- (i) A claim arising from a merger or the acceptance of all business of another juridical person;
- (ii) In the execution of the rights of the general incorporated association, the claim is necessary for accomplishing said purpose;
- (iii) Acquiring a claim without compensation.

- (2) When in the cases set forth in item (i) or item (ii) of the preceding paragraph, the general incorporated association acquires the claim set forth in said paragraph, notwithstanding the provisions set forth in the main clause of Civil Code Article 520, the claim shall not expire. In such cases, the general incorporated association shall transfer the claim to another party at an appropriate time.

(Prohibition on Interest on Funds)

Article 143 No interest may accrue on a claim pursuant to the return of funds.

(Substitute Funds)

Article 144 (1) When returning a fund, an amount equivalent to the fund being returned shall be added to the books.

- (2) The substitute fund set forth in the preceding paragraph may not be broken into.
- (3) In cases where a general incorporated association which is to expire due to a merger has included a substitute fund in its books, the amount to be included as a substitute fund by the general incorporated association that survives merger or the general incorporated association that is incorporated as a result of the merger shall be provided in the applicable Ordinance of the Ministry of

Justice.

(Special Application of the Bankruptcy Act)

Article 145 In cases where a general incorporated association is subject to a ruling for the commencement of bankruptcy proceedings, any claims pursuant to the return of funds shall be subordinate to subordinate bankruptcy claims prescribed in the Bankruptcy Act, Article 99, paragraph (1) and to consensually-subordinated bankruptcy claims prescribed in the same Article, paragraph (2).

Section 6 Changing the Articles of Incorporation

Article 146 The general incorporated association, after being formed, may change its articles of incorporation by resolution at a general meeting of members.

Section 7 Transfer of Business

Article 147 If the general incorporated association transfers its business in its entirety, such a transfer shall be in accordance with resolutions at general meetings of members.

Section 8 Dissolution

(Grounds for Dissolution)

Article 148 A general incorporated association shall dissolve on the grounds set forth below:

- (i) Expiration of its duration as prescribed in the articles of incorporation;
- (ii) The arising of grounds for dissolution as prescribed in the articles of incorporation;
- (iii) By a resolution at the general meeting of members;
- (iv) A lack of the required number of members;
- (v) A merger (limited to cases where the general incorporated association is extinguished in the merger);
- (vi) A decision to commence bankruptcy proceedings;
- (vii) A court ruling that orders dissolution pursuant to the provisions set forth in Article 261, paragraph (1) or Article 268.

(Deemed Dissolution of a Dormant General Incorporated Association)

Article 149 (1) In cases where the Minister of Justice has published in the official gazette, with respect to dormant general incorporated associations, that

they shall notify within two months pursuant to the provisions of the applicable Ordinance of the Ministry of Justice the registry office with jurisdiction over the locations of their principal offices that they have not abolished their businesses, when a dormant general incorporated association (meaning a general incorporated association for which it has been five years since the date when last registration pertaining to the general incorporated association was made; the same shall apply hereinafter in this Article), has not made such notification, at the expiration of said two month period the dormant general incorporated association shall be presumed to have dissolved; provided, however, that this shall not apply if the dormant general incorporated association registers itself within said period.

(2) If public notice is issued pursuant to the provisions set forth in the preceding paragraph, the registry office shall notify the dormant general incorporated association of said fact.

(Continuance of a General Incorporated Association)

Article 150 In cases where a general incorporated association has dissolved on the grounds provided in Article 148, item (i) through item (iii) (including cases where said association is presumed to have dissolved pursuant to the provisions of the preceding Article, paragraph (1)), said general incorporated association may continue to exist as a general incorporated association by resolution at a general meeting of members until such time as the liquidation pursuant to the provisions of Chapter IV is completed (in cases where the general incorporated association is assumed to have dissolved pursuant to the provisions of the same paragraph, limited to three years after the dissolution is presumed).

(Restrictions on the Merger of Dissolved General Incorporated Associations)

Article 151 In cases where a general incorporated association has dissolved, the general incorporated association may not engage in a merger in which the general incorporated association becomes a general incorporated association that survives the merger.

Chapter III General Incorporated Foundations

Section 1 Incorporation

Subsection 1 Preparation of Articles of Incorporation

(Preparation of Articles of Incorporation)

Article 152 (1) In the incorporation of a general incorporated foundation, the founder (if there are two or more founders, all of them) shall prepare articles of incorporation, which all founders shall sign or to which they shall affix their

names and seals.

- (2) A founder, in his/her will, may express his/her intent to incorporate a general incorporated foundation by providing for the items set forth in the following Article, paragraph (1), for each item provided for in Article 154. In such event, the executor, after said will has taken effect, shall, without delay, prepare articles of incorporation that include the matters provided for in said will, and either sign them or affix his/her name and seal thereto.
- (3) The provisions of Article 10, paragraph (2) shall apply mutatis mutandis to the articles of incorporation prescribed in the preceding two paragraphs.

(Matters to Be Included or Recorded in the Articles of Incorporation)

Article 153 (1) The articles of incorporation of a general incorporated foundation shall contain or have recorded therein the following matters:

- (i) Purpose;
- (ii) Name;
- (iii) Location of the principal office;
- (iv) Name of the founder and his/her address;
- (v) The property to be contributed by the founder (if there are two or more founders, for each founder) at the incorporation and its value;
- (vi) Matters pertaining to the election of councillors at incorporation (meaning the persons who become councillors upon the incorporation of the general incorporated foundation; the same shall apply hereinafter), directors at incorporation (meaning the persons who become directors upon the incorporation of the general incorporated foundation; the same shall apply hereinafter in this paragraph and Article 319, paragraph (2)), and auditors at incorporation (meaning the persons who become auditors upon the incorporation of the general incorporated foundation; the same shall apply hereinafter in this paragraph and Article 254, item (vii) and in the same paragraph);
- (vii) Matters pertaining to the election of accounting auditors at incorporation (meaning persons who become accounting auditors at the time of incorporation of a general incorporated foundation; the same shall apply hereinafter in this Section and in Article 319, paragraph (2), item (vi)) if the general incorporated foundation to be incorporated is a general incorporated foundation with accounting auditors (meaning a general incorporated foundation with accounting auditors or a general incorporated foundation that shall provide accounting auditors pursuant to the provisions of this Act; the same shall apply hereinafter);
- (viii) Method for electing and dismissing councillors;
- (ix) Method of public notice; and
- (x) Business year.

- (2) The total value of the property under the preceding paragraph, item (v) may not be less than three million yen.
- (3) None provisions of the articles of incorporation set forth below shall be effective:
- (i) Any provision in the articles of incorporation which provides that as a method prescribed in paragraph (1), item (viii), either a director or the council elects or dismisses councillors;
 - (ii) Any provision in the articles of incorporation which grants the founder the right to receive any surplus monies or residual assets.

Article 154 In addition to the matters provided for in the items in paragraph (1) of the preceding Article, the articles of incorporation of a general incorporated foundation may include or have recorded therein matters that do not take effect unless provided for in the articles of incorporation, as provided for in this Act, and any other matters that do not violate the provisions of this Act.

(Certification of the Articles of Incorporation)

Article 155 The articles of incorporation set forth in Article 152, paragraph (1) and paragraph (2) shall not take effect unless they are certified by a notary.

(Keeping and Inspection of the Articles of Incorporation)

- Article 156 (1) The founder (or, after the formation of a general incorporated foundation, said general incorporated foundation) shall keep the articles of incorporation in a place specified by the founder (or, after the formation of the general incorporated foundation, at the principal office and a branch office).
- (2) The founder (after the formation of the general incorporated foundation, its councillors and creditors) can make any of the requests set forth below during the hours prescribed by the founder (after the formation of the general incorporated foundation, during its business hours); provided, however, that when creditors make a request set forth in item (ii) or (iv), the requestor shall pay the expenses set by the founder (after the formation of the general incorporated foundation, said general incorporated foundation).
- (i) If the articles of incorporation are prepared in the form of a document, a request to inspect the document;
 - (ii) A request to be delivered a copy or extract of the document set forth in the preceding item;
 - (iii) If the articles of incorporation are prepared in the form of electromagnetic records, a request to inspect anything recorded in said electromagnetic records in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice;
 - (iv) A request to be provided with the matters recorded in the electromagnetic

records set forth in the preceding item by electromagnetic means, as prescribed by a founder (or, after the formation of the general incorporated foundation, by said general incorporated foundation), or a request to be delivered any document that describes said matters.

- (3) In cases where the articles of incorporation are prepared in the form of electromagnetic records, with respect to general incorporated foundations that enact measures in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice to make it possible for a branch office to comply with requests set forth in items (iii) and (iv) of the preceding paragraph, regarding application of the provisions of paragraph (1), the term "principal office or a branch office" shall be "the principal office" in that paragraph.

Subsection 2 Contribution of Property

(Fulfillment of a Commitment to Contribute Property)

- Article 157 (1) The founder (in the case of Article 152, paragraph (2), the executor; the same shall apply hereinafter in this Article, Article 161, paragraph (2), Articles 166 through 168, Article 200, paragraph (2), Article 319, paragraph (3), and Chapter VII), after the certification by a notary pursuant to Article 155, shall pay the total amount of the monies pertaining to the contribution prescribed in Article 153, paragraph (1), item (v), or deliver all of the non-monetary property pertaining to the contribution prescribed in the same item without delay; provided, however, that this does not preclude the performance of acts necessary to assert the establishment or relocation of registration, recording and other rights with respect to a third party after the formation of the general incorporated foundation if such is prescribed by the founder (if there are two or more founders, with the agreement of all founders).
- (2) The payment prescribed in the preceding paragraph shall be made at a place for processing of payment prescribed by the founder.

(Mutatis Mutandis Application of Provisions Regarding Gifts and Testamentary Gifts)

- Article 158 (1) Provided that it does not conflict with the nature of a contribution of property by inter vivos disposition, the provisions of the Civil Code pertaining to testamentary gifts shall apply mutatis mutandis.
- (2) Provided that it does not conflict with the nature of a contribution of property by will, the provisions of the Civil Code pertaining to testamentary gifts shall apply mutatis mutandis.

Subsection 3 Election of Councillors at Incorporation

Article 159 (1) If councillors at incorporation, directors at incorporation, or auditors at incorporation are not provided for in the articles of incorporation, these persons shall be elected without delay, pursuant to the articles of incorporation, after completion of deposit or delivery (hereinafter referred to as "fulfillment of the commitment to contribute property") pursuant to the provisions of Article 157, paragraph (1).

(2) If the general incorporated foundation to be incorporated is a general incorporated foundation with accounting auditors, and an accounting auditor at incorporation is not provided for in the articles of incorporation, an accounting auditor at incorporation shall be elected without delay, pursuant to the articles of incorporation after fulfillment of the commitment to contribute property.

Article 160 (1) In regard to councillors at incorporation and directors at incorporation, there shall be at least three of each such persons.

(2) Individuals who cannot be councillors, auditors, directors, or accounting auditors of a general incorporated foundation after formation pursuant to the provisions of Article 65, paragraph (1) as applied mutatis mutandis to Article 173, paragraph (1); or pursuant to the provisions of Article 65, paragraph (1) or Article 68, paragraph (1) or paragraph (3) as applied mutatis mutandis to Article 177 cannot be councillors at incorporation, directors at incorporation, auditors at incorporation or accounting auditors at incorporation, respectively.

Subsection 4 Investigations by Directors at Incorporation

Article 161 (1) The directors at incorporation and the auditors at incorporation shall, after being elected, investigate without delay the matters set forth below:

(i) That the commitment to contribute property is fulfilled;

(ii) In addition to the matter set forth in the preceding item, that the procedures employed in the establishment of the general incorporated foundation are not in violation of laws and regulations or the articles of incorporation.

(2) If, as a result of the investigation conducted pursuant to the provisions of the preceding paragraph, the directors at incorporation or the auditors at incorporation find any violation of the applicable laws and regulations or articles of incorporation or there is any inappropriate matter in a matter set forth in any items of such paragraph, they shall give notice to such effect to the founder.

Subsection 5 Appointment of Representative Directors at Incorporation

- Article 162 (1) The directors at incorporation shall appoint a representative director (meaning the director who represents the general incorporated foundation; the same shall apply in Article 302, paragraph (2), item (vi)) from among the directors at incorporation at the time of the incorporation of the general incorporated foundation (hereinafter referred to as "representative director at incorporation" in this Article and Article 319, paragraph (2)).
- (2) The directors at incorporation may remove the representative director at incorporation until such time as the general incorporated foundation is formed.
- (3) The appointment and removal of the representative director at incorporation pursuant to the provisions of the preceding two paragraphs shall be determined by a majority of the directors at incorporation.

Subsection 6 Formation of a General Incorporated Foundation

(Formation of a General Incorporated Foundation)

Article 163 A general incorporated foundation is formed when its incorporation is registered at the address of its principal office.

(Timing of Ownership of Property)

- Article 164 (1) If property has been contributed by inter vivos disposition, said property shall belong to the general incorporated foundation when the formation of the general incorporated foundation is accomplished.
- (2) If the property has been contributed to a general incorporated foundation by will, said property shall be deemed to belong to the general incorporated foundation when the will has come into effect.

(Restrictions on the Invalidation or Rescission of a Contribution of Property)

Article 165 The founder (in the case of Article 152, paragraph (2), his/her general successors), after the formation of the general incorporated foundation, may not claim invalidity of a contribution of property on the grounds of an error, nor may he/she rescind the contribution of property on the grounds of fraud or duress.

Subsection 7 Liability of the Founders

(Liability of the Founders for Compensation for Damages)

Article 166 (1) If a founder, a director at incorporation, or an auditor at incorporation is negligent in performing his/her duties with respect to the incorporation of the general incorporated foundation, he/she shall be liable to such general incorporated foundation for any damages arising as a result

thereof.

(2) If a founder, a director at incorporation, or an auditor at incorporation acted with bad faith or with gross negligence in the performance of his/her duties, such founder, director at incorporation, or auditor at incorporation shall be liable to a third party for damages arising as a result thereof.

(Joint and Several Liability of the Founders)

Article 167 In cases where a founder, a director at incorporation, or an auditor at incorporation is liable for damages arising in the general incorporated foundation or a third party, if other founders, directors at incorporation or auditors at incorporation are also liable, such persons shall be joint and several obligors.

(Exemption from Liability)

Article 168 An exemption from the liability assumed by founders, directors at incorporation, or auditors at incorporation pursuant to the provisions of Article 166, paragraph (1) may not be given without the consent of all councillors.

(Liability in the Event of a Failure to Form the General Incorporated Foundation)

Article 169 If the general incorporated foundation fails to be formed, the founders under Article 152, paragraph (1), shall be jointly and severally for any act committed in connection with the incorporation of the general incorporated foundation, and shall bear the costs expended in connection with the incorporation of the general incorporated foundation.

Section 2 Administrative Mechanisms

Subsection 1 Establishment of Administrative Mechanisms

(Establishment of Administrative Mechanisms)

Article 170 (1) A general incorporated foundation shall have councillors, a board of councillors, directors, a council, and auditors.

(2) A general incorporated foundation may have an accounting auditor pursuant to the provisions of the articles of incorporation.

(Obligation to Have an Accounting Auditor)

Article 171 A large-scale general incorporated foundation shall have an accounting auditor.

Subsection 2 Election and Dismissal of Councillors

(Relationship Between the General Incorporated Foundation and the Councillors)

Article 172 (1) The relationship between a general incorporated foundation and its councillors, directors, auditors, or accounting auditors shall be governed by the provisions on mandate.

(2) If basic property is provided for in the articles of incorporation as being essential to conducting the business that is the objective of the general incorporated foundation among the properties of the general incorporated foundation as provided by the articles of incorporation, the directors shall maintain them; in addition, they may not dispose of such property in a manner that would hamper the conduct of the business that is a purpose of the general incorporated foundation.

(The Qualifications of Councillors)

Article 173 (1) The provisions of Article 65, paragraph (1) shall apply mutatis mutandis to councillors.

(2) A councillor may not serve concurrently as a director, an auditor, or an employee of a general incorporated foundation or its subsidiary.

(3) In a general incorporated foundation, at least three councillors shall be designated.

(The Term of Office of Directors)

Article 174 (1) The term of office of a director shall be until the conclusion of the final annual meeting of the board of councillors in a business year that ends within four years after his/her election; provided, however, that this does not preclude the extension of a term of office until the conclusion of the final annual meeting of the board of councillors in a business year that ends within six years after his/her election under the articles of incorporation.

(2) The provisions of the preceding paragraph do not preclude the articles of incorporation from prescribing the term of office of a councillor elected as a substitute for a councillor who was dismissed prior to the expiration of his/her term of office to last until the date of expiration of the term of office of the councillor who was dismissed.

(Measures to Be Taken in the Event of a Vacancy Among the Councillors)

Article 175 (1) Where a shortage occurs in the number of councillors prescribed in the articles of incorporation, a councillor who has been dismissed due to expiration of his/her term of office or by resignation shall have the rights and obligations of a councillor until such time as a newly elected councillor (including persons who shall perform the duties of temporary councillors as provided in the following paragraph) assumes the role.

- (2) In cases set forth in the preceding paragraph, the court, when necessary, may elect a person to perform the duties of a temporary councillor upon petition by an interested party.
- (3) The court, when electing a person to perform the duties of a temporary councillor as prescribed in the preceding paragraph, may determine the amount of remuneration that the general incorporated foundation shall pay that person.

(Dismissal of a Director, an Auditor, or an Accounting Auditor)

Article 176 (1) If a director or an auditor comes to fall under any of the following conditions, the director or the auditor may be dismissed by a resolution of the board of councillors:

- (i) The director or the auditor has violated the obligations of his/her duties or has been negligent in the performance thereof;
- (ii) Due to a mental or physical disorder, the director or the auditor is unable to perform his/her duties or is incapable of bearing the demands of his/her duties.

(2) If an accounting auditor falls under any of the items under Article 71, paragraph (1), the accounting auditor may be dismissed by a resolution of the board of councillors.

(Mutatis Mutandis Application of Provisions Pertaining to General Incorporated Associations)

Article 177 The provisions of the preceding Chapter, Section 3, Subsection 3 (except Article 64; Article 67, paragraph (3); and Article 70) shall apply mutatis mutandis to the election and dismissal of directors, auditors, and accounting auditors of a general incorporated foundation. In such a case, the term "general meeting of members" in those provisions (except the proviso in Article 66) shall be deemed to be replaced with "board of councillors"; the term "by means of the articles of incorporation or by a resolution at a meeting of the general assembly" in the proviso in Article 66 shall be deemed to be replaced with "by articles of incorporation"; the term "Article 123, paragraph (2)" in Article 68, paragraph (3), item (i) shall be deemed to be replaced with "Article 123, paragraph (2) as applied mutatis mutandis pursuant to Article 199"; and the term "Article 38, paragraph (1), item (i)" in Article 74, paragraph (3) shall be deemed to be replaced with "Article 181, paragraph (1), item (i)".

Subsection 3 Councillors and the Board of Councillors

(Authority of the Board of Councillors)

Article 178 (1) The board of councillors shall be composed of all of the councillors.

- (2) The board of councillors may make resolutions limited to matters provided in this Act and matters prescribed in the articles of incorporation.
- (3) With respect to matters that require a resolution of the board of councillors pursuant to the provisions of this Act, any provision in the articles of incorporation that prescribes contents that may be subject to decision by a director, a council, or an administrative mechanism other than the board of councillors shall not be effective.

(Convocation of Meetings of the Board of Councillors)

Article 179 (1) An annual meeting of the board of councillors shall be convened at a fixed time after the end of each business year.

- (2) A meeting of the board of councillors may be convened at any time when it is found necessary.
- (3) A meeting of the board of councillors shall be convened by a director except when it is convened under the provisions of the following Article, paragraph (2).

(Councillors' Demand for the Convocation of a Meeting of the Board of Councillors)

Article 180 (1) Councillors may demand that the director convene a meeting of the board of councillors by indicating a matter to be the purpose of the meeting of the board of councillors and the reasons for convocation.

- (2) In the cases set forth below, councillors who have made a demand pursuant to the provisions of the preceding paragraph may convene a meeting of the board of councillors by obtaining the approval of a court:
- (i) Where convocation procedures for a meeting of the board of councillors were not performed without delay after a demand was made pursuant to provisions of the preceding paragraph.
- (ii) Where no notice to convene for a meeting of the board of councillors was issued stating a date within six weeks (if the articles of incorporation provide a time period less than six weeks, that time period) of the demand made pursuant to the provisions of the preceding paragraph as the date of the meeting of the board of councillors.

(Decision to Convene a Meeting of the Board of Councillors)

Article 181 (1) When convening a meeting of the board of councillors, a resolution of the council shall provide the matters set forth below:

- (i) The time and place of the meeting of the board of councillors;
- (ii) If there is a matter specifying the purpose of the meeting of the board of councillors, that matter;
- (iii) In addition to the conditions provided in the preceding two items, matters provided in the applicable Ordinance of the Ministry of Justice.

(2) Notwithstanding the provisions of the preceding paragraph, in the case where a councillor convenes a meeting of the board of councillors pursuant to the provisions of the preceding Article, paragraph (2), said councillor shall determine the matters that are set forth in the items in the preceding paragraph.

(Notice to Convene for a Meeting of the Board of Councillors)

Article 182 (1) When convening a meeting of the board of councillors, the director (where a councillor convenes a meeting of the board of councillors pursuant to the provisions of Article 180, paragraph (2), said councillor; the same shall apply in the following paragraph) shall issue a notice thereof in writing to the councillors one week before the date of the meeting of the board of councillors (if the articles of incorporation provide a time period of less than one week, that time period).

(2) In lieu of issuing a notice in writing in accordance with the preceding paragraph, the director may issue the notice by electromagnetic means with the consent of the councillors, as prescribed in the Cabinet Order. In such a case, it shall be deemed that said director has issued the notice in writing in accordance with the provisions set forth in said paragraph.

(3) The notice set forth in the preceding two paragraphs shall contain or have recorded therein the matters set forth in the items in paragraph (1) of the preceding Article.

(Omission of the Procedures for Convocation)

Article 183 Notwithstanding the provisions of the preceding Article, a meeting of the board of councillors may be held without convocation procedures, provided that the consent of all councillors is obtained.

(Councillors' Right to Propose)

Article 184 Councillors may make a demand to the directors that certain matters be taken up as the purpose of a meeting of the board of councillors. In such cases, the demand shall be made four weeks prior to the date of the meeting of the board of councillors (if a shorter time period is prescribed in the articles of incorporation, that time period).

Article 185 At a meeting of the board of councillors, councillors may submit proposals with respect to matters that constitute the purpose of the meeting; provided, however, that this shall not apply where such proposal is in violation of laws and regulations or the articles of incorporation, or where three years have not elapsed since the day when a proposal that was materially the same failed to obtain votes in its favor constituting at least one-tenth of the votes of

all the councillors present at the meeting of the board of councillors (if a lower ratio is provided in the articles of incorporation, that ratio).

Article 186 (1) A councillor may, at least four weeks prior to the date of a meeting of the board of councillors (if a shorter time period is prescribed in the articles of incorporation, that time period) make a demand to the director that a summary of the proposal that said councillor will submit on matters that constitute the purpose of the meeting of the board of councillors be included or recorded in a notice under Article 182, paragraph (1) or paragraph (2), and issued to the councillors.

(2) The provisions of the preceding paragraph shall not apply where such a proposal is in violation of laws and regulations or the articles of incorporation, or where three years have not elapsed since the day when the a proposal that was materially the same failed to obtain votes in its favor constituting at least one-tenth of the votes of all the councillors present at the meeting of the board of councillors for passage (if a lower ratio is prescribed in the articles of incorporation, that ratio).

(The Election of an Inspector for the Procedures for Convocation of Meetings of the Board of Councillors)

Article 187 (1) Either the general incorporated foundation or councillors may petition the court to elect an inspector prior to the meeting of the board of councilors, in order to carry out the investigation of the procedures employed and resolutions made concerning the convocation of a meeting of the board of councillors.

(2) Except in cases where the court dismisses a petition to elect an inspector that has been submitted pursuant to the provisions of the preceding paragraph, as unlawful, the court shall elect an inspector.

(3) When electing an inspector set forth in the preceding paragraph, the court may determine the amount of compensation to be paid to said inspector by the general incorporated foundation.

(4) The inspector set forth in paragraph (2) shall conduct the required investigation, and shall report to the court by submitting documents or electromagnetic records (limited to those prescribed in the applicable Ordinance of the Ministry of Justice) containing or recording the results of said investigation.

(5) With respect to the report set forth in the preceding paragraph, if the court finds it necessary to make the contents of the report clear or to verify the grounds thereof, it may require further reports set forth in the preceding paragraph of the inspector set forth in paragraph (2).

(6) When submitting a report pursuant to paragraph (4), the inspector set forth

in paragraph (2) shall provide a copy of said document as prescribed in paragraph (4) or matters recorded electromagnetically as referred to in the same paragraph by a method prescribed in the applicable Ordinance of the Ministry of Justice to the general incorporated foundation (if the person who petitioned for the election of an inspector is not that general incorporated foundation, either said general incorporated foundation or said person).

(Court Decision to Convene a Meeting of the Board of Councillors)

Article 188 (1) When the court has received a report set forth in paragraph (4) of the preceding Article, and when finding it necessary, the court shall order that the director take the whole or part of the following measures:

- (i) To convene a meeting of the board of councillors within a fixed period of time;
 - (ii) To notify the councillors of the results of the investigation set forth in the preceding Article, paragraph (4).
- (2) In cases where the court orders the measures set forth in item (i) of the preceding paragraph, the director shall disclose the contents of the report referred to in paragraph (4) of the preceding Article, at the meeting of the board of councillors prescribed in the same item.
- (3) In cases prescribed in the preceding paragraph, the director and the auditor shall examine the contents of the report referred to in paragraph (4) of the preceding Article, and shall report the results of the examination at the meeting of the board of councillors set forth in paragraph (1), item (i).

(Resolutions of the Board of Councillors)

Article 189 (1) Resolutions at a board of councillors meeting shall be effected by a majority vote (if a higher ratio is prescribed in the articles of incorporation, that ratio or higher) of the councillors in attendance who have voting rights, provided that a majority (if a higher ratio is prescribed in the articles of incorporation, that ratio or higher) of councillors eligible to vote is present.

(2) Notwithstanding the provisions of the preceding paragraph, resolutions at the following board of councillors meetings shall be effected by at least a two-thirds majority (if a higher ratio is prescribed in the articles of incorporation, that ratio) of the votes of all of the councillors who are eligible to vote:

- (i) A board of councillors meeting under Article 176, paragraph (1) (limited to the dismissal of an auditor);
- (ii) A board of councillors meeting under Article 113, paragraph (1) as applied *mutatis mutandis* pursuant to Article 198;
- (iii) A board of councillors meeting under Article 200;
- (iv) A board of councillors meeting under Article 201;
- (v) A board of councillors meeting under Article 204;

- (vi) A board of councillors meeting under Article 247, Article 251, paragraph (1), or Article 257.
- (3) With respect to resolutions under the preceding two paragraphs, councillors with a special vested interest may not vote.
- (4) The board of councillors may not resolve matters pertaining to matters set forth in Article 181, paragraph (1), item (ii); provided, however, that this shall not apply to the election of persons prescribed in Article 191, paragraph (1) or (2), or requesting the attendance of the accounting auditor prescribed in Article 109, paragraph (2) as applied mutatis mutandis pursuant to Article 197.

(Directors' Obligation to Explain)

Article 190 The director and the auditor shall, when requested by a councillor to explain a specific matter at a meeting of the board of councillors, provide the required explanation on said matter; provided, however, that this shall not apply if Ordinance of the Ministry of Justice provides that an explanation is not required in the case where the matter is not related to a purpose of the meeting of the board of councillors or if there are other justifiable grounds.

(Investigation of Materials Submitted to a Board of Councillors)

- Article 191 (1) At a meeting of the board of councillors, the directors, the auditors, and the accounting auditors may, by resolution, elect a person to investigate materials that are submitted or provided to the meeting of the board of councillors by resolution.
- (2) At a meeting of the board of councillors convened pursuant to the provisions of Article 180, a person may be elected by resolution to investigate the business and the property condition of the general incorporated foundation.

(A Resolution to Postpone or Continue)

Article 192 In cases where a resolution is passed to postpone or continue proceedings at a meeting of the board of councillors, the provisions set forth in Articles 181 and 182 shall not apply.

(Minutes)

- Article 193 (1) With respect to the agenda of a meeting of the board of councillors, minutes of the meeting shall be prepared as prescribed in the applicable Ordinance of the Ministry of Justice.
- (2) The general incorporated foundation shall keep the minutes set forth in the preceding paragraph at its principal office for ten years from the date of the meeting of the board of councillors.
- (3) The general incorporated foundation shall keep a copy of the minutes set forth in paragraph (1) at its branch office for five years from the date of the

meeting of the board of councillors; provided, however, that this shall not apply if said minutes are prepared in electromagnetic records and they are in compliance with the provisions of the applicable Ordinance of the Ministry of Justice as a measure to make it possible to comply with requests set forth in item (ii) of the following paragraph.

(4) Councillors and creditors may make the following requests at any time during the business hours of the general incorporated foundation:

(i) If the minutes of paragraph (1) are prepared in document form, a request to inspect a copy of said document or to copy said document;

(ii) If the minutes of paragraph (1) are recorded in electromagnetic records, a request to inspect or copy anything recorded in said electromagnetic records in accordance with methods prescribed in the applicable Ordinance of the Ministry of Justice.

(Omission of a Resolution at a Meeting of the Board of Councillors)

Article 194 (1) In cases where a director makes a proposal regarding a matter that is the purpose of a meeting of the board of councillors and where all councillors manifest their intention to agree with said proposal either in writing or by electromagnetic records, a resolution of the board of councillors that affirms the proposal shall be deemed to have been passed.

(2) The general incorporated foundation shall keep the written documents or electromagnetic records pursuant to the provisions of the preceding paragraph at its principal office for ten years from the date when the resolution is deemed to have passed at the meeting of the board of councillors pursuant to the provisions of the preceding paragraph.

(3) Councillors and creditors may make the following requests at any time during the business hours of the general incorporated foundation:

(i) A request to inspect a copy of the document of the preceding paragraph or to copy the document;

(ii) A request to inspect or copy anything which displays matters recorded in electromagnetic records set forth in the preceding paragraph in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice.

(4) In cases where it is deemed that the resolutions to approve proposals on all matters that are the purpose of the annual meeting of the board of councillors have been made at the meeting of the board of councillors pursuant to the provisions of paragraph (1), such annual meeting of the board of councillors shall be deemed concluded at that time.

(Omission of a Report to the Board of Councillors)

Article 195 In cases where a director provides notice to all councillors regarding

matters to be reported to the board of councillors and all councillors have provided a manifestation of intent, either in writing or by electromagnetic records, indicating agreement that such matters need not be reported to the board of councillors, such matters are deemed to have been reported to the board of councillors.

(Remuneration for Councillors)

Article 196 The amount of remuneration for a councillor shall be prescribed in the articles of incorporation.

Subsection 4 Directors, Councils, Auditors, and Accounting Auditors

Article 197 The provisions of Section 3, Subsection 4 in the preceding Chapter (except Article 76; Article 77, paragraph (1) through paragraph (3); Article 81; and Article 88, paragraph (2)), Subsection 5 (except Article 92, paragraph (1)), Subsection 6 (except Article 104, paragraph (2)), and Subsection 7 shall apply mutatis mutandis to directors, the council, auditors, and accounting auditors of general incorporated foundations. In such cases, the term "general meeting of members" in these provisions (except Article 83 and Article 84, paragraph (1)) shall be deemed to be replaced with "board of councillors"; the term "the articles of incorporation, and resolutions at a general meeting of members" in Article 83 shall be deemed to be replaced with "articles of incorporation"; the term "general meeting of members" in Article 84, paragraph (1) shall be deemed to be replaced with "council"; the term "the members (an auditor in a general incorporated association with auditors)" in Article 85 shall be deemed to be replaced with "auditors"; the term "members who have at least one-tenth (if a lower ratio is prescribed in the articles of incorporation, that ratio) of the voting rights of all the members" in Article 86, paragraph (1) and the term "members" in the same Article, paragraph (7), Article 87, paragraph (1), item (ii) and Article 88, paragraph (1) shall be deemed to be replaced with "councillors"; the term "substantial damage" in the same paragraph shall be deemed to be replaced with "irreparable damage"; in Article 90, paragraph (4), item (vi), the term "Article 114, paragraph (1)" shall be deemed to be replaced with "Article 114, paragraph (1) as applied mutatis mutandis pursuant to Article 198"; the term "Article 111, paragraph (1)" shall be deemed to be replaced with "Article 111, paragraph (1) as applied mutatis mutandis pursuant to Article 198"; the term "If it is necessary for the exercise of a member's rights, said member may, upon obtaining the approval of the court" in Article 97, paragraph (2) shall be deemed to be replaced with "Councillors may, at any time during the business hours of the general incorporated foundation"; in the same Article, paragraph (4), the term "the demands set

forth in the preceding two paragraphs" shall be deemed to be replaced with "the demands set forth in the preceding paragraph"; the term "the approval set forth in the preceding two paragraphs" shall be deemed to be replaced with "the approval set forth in the same paragraph"; the term "Article 77, paragraph (4) and Article 81" in Article 104, paragraph (1) shall be deemed to be replaced with "Article 77, paragraph (4)"; in Article 107, paragraph (1), the term "Article 123, paragraph (2)" shall be deemed to be replaced with "Article 123, paragraph (2) as applied mutatis mutandis pursuant to Article 199"; the term "Article 117, paragraph (2), item (i) (a)" shall be deemed to be replaced with "Article 117, paragraph (2), item (i) (a) as applied mutatis mutandis pursuant to Article 198"; and the term "Article 68, paragraph (3), item (i)" in the same Article, paragraph (5), item (i) shall be deemed to be replaced with "Article 68, paragraph (3), item (i), as applied mutatis mutandis pursuant to Article 177".

Subsection 5 Liability of the Officers for Compensation for Damages

Article 198 The provisions of Section 3, Subsection 8 in the preceding Chapter (except Article 117, paragraph (2), item (i) (b)) shall apply mutatis mutandis to the damage compensation liability of directors, auditors, accounting auditors, and councillors of general incorporated foundations. In such cases, the term "general meeting of members" in these provisions shall be deemed to be replaced with "board of councillors"; the term "a director, an auditor, or an accounting auditor (hereinafter referred to as 'officers' in this Subsection and Article 301, paragraph (2), item (xi))" in Article 111, paragraph (1) shall be deemed to be replaced with "a director, an auditor, or an accounting auditor (hereinafter referred to as 'officers' in this Subsection and Article 302, paragraph (2), item (ix)) or councillors"; the term "Article 84, paragraph (1)" in the same Article, paragraph (2) shall be deemed to be replaced with "Article 84, paragraph (1) as applied mutatis mutandis pursuant to Article 197"; the term "Article 84, paragraph (1), item (ii)" in the same Article, paragraph (3) shall be deemed to be replaced with "Article 84, paragraph (1), item (ii) as applied mutatis mutandis pursuant to Article 197"; the term "Article 84, paragraph (1)" in the same paragraph, item (i) shall be deemed to be replaced with "Article 84, paragraph (1) as applied mutatis mutandis pursuant to Article 197"; the term "all members" in Article 112 shall be deemed to be replaced with "all councillors"; the term "Article 301, paragraph (2), item (xiii)" in Article 113, paragraph (1), item (ii) (b) shall be deemed to be replaced with "Article 302, paragraph (2), item (xi)"; the term "to cases where agreement by directors is to be obtained pertaining to the exemption from liability (limited to directors' exemption from liability) based on provisions in the articles of incorporation pursuant to the provisions of the same paragraph, and to cases where a

proposal pertaining to the exemption from that liability" in Article 114, paragraph (2) shall be deemed to be replaced with "to cases where a proposal pertaining to the exemption from liability (limited to directors' exemption from liability) based on provisions in the articles of incorporation pursuant to the provisions of the same paragraph"; the term "members" in the same Article, paragraph (3) shall be deemed to be replaced with "councillors"; the term "members with at least one-tenth of the voting rights (if a lower ratio is provided in the articles of incorporation, that ratio) of all members (exclusive of the officers who carry the liability under the preceding paragraph)" in the same Article, paragraph (4) shall be deemed to be replaced with "councillors with at least one-tenth of the voting rights (if a lower ratio is provided in the articles of incorporation, that ratio) of all councillors"; in Article 115, paragraph (1), the term "Article 301, paragraph (2), item (xiv)" shall be deemed to be replaced with "Article 302, paragraph (2), item (xii)"; the term "the same paragraph, item (xii)" shall be deemed to be replaced with "the same paragraph, item (x)"; the term "Article 84, paragraph (1), item (ii)" in Article 116, paragraph (1) shall be deemed to be replaced with "Article 84, paragraph (1), item (ii) as applied mutatis mutandis pursuant to Article 197"; the term "officers" in Article 117, paragraph (1) and Article 118 shall be deemed to be replaced with "officers or councillors"; the term "Article 128, paragraph (3)" in Article 117, paragraph (2), item (i) (d) shall be deemed to be replaced with "Article 128, paragraph (3), as applied mutatis mutandis pursuant to Article 199".

Section 3 Calculations

Article 199 The provisions of the preceding Chapter, Section 4 (except the second sentence in Article 121, paragraph (1), paragraph (2), and Article 126, paragraph (1), item (ii) and item (iv)) shall apply mutatis mutandis to calculations for a general incorporated foundation. In this case, the term "general meeting of members" in these provisions shall be deemed to be replaced with "board of councillors"; the term "Members who have at least one-tenth (if a lower ratio is prescribed in the articles of incorporation, that ratio) of the voting rights of all members" in Article 121, paragraph (1) and the term "members" in Article 129, paragraph (3) shall be deemed to be replaced with "councillors"; the term "to members" in Article 125 shall be deemed to be replaced with "to councillors"; the term "Article 58, paragraph (1)" in Article 129, paragraph (1) and paragraph (2) shall be deemed to be replaced with "Article 194, paragraph (1)"; the term "when they make a request set forth in item (ii)" in the same Article, paragraph (3), proviso shall be deemed to be replaced with "when creditors make a request set forth in item (ii)".

Section 4 Amending the Articles of Incorporation

- Article 200 (1) The general incorporated foundation, after being formed, may change its articles of incorporation by resolutions of the board of councillors; provided, however, that this shall not apply to the provisions of the articles of incorporation pertaining to the matters set forth in Article 153, paragraph (1), item (i) and item (viii).
- (2) Notwithstanding the proviso in the preceding paragraph, if the founder has provided in the articles of incorporation prescribed in Article 152, paragraph (1) or paragraph (2) that the provisions of the articles of incorporation prescribed in the proviso in the same paragraph may be amended by resolution of the board of councillors, the provisions of the articles of incorporation prescribed in the proviso in the preceding paragraph may be amended.
- (3) If, due to special circumstances not foreseen at the time of its incorporation, the general incorporated foundation finds itself in a situation where continued operations are impossible or extremely difficult unless the provisions of the articles of incorporation prescribed in the proviso in the paragraph (1) are amended, with the approval of a court and by resolution of the board of councillors, the general incorporated foundation may amend the provisions of the articles of incorporation prescribed in the proviso in the same paragraph.

Section 5 Transfer of Business

Article 201 The transfer of the operations of a general incorporated foundation transfers shall only occur by resolution of the board of councillors.

Section 6 Dissolution

(Grounds for Dissolution)

Article 202 (1) A general incorporated foundation shall dissolve on the grounds set forth below:

- (i) Expiration of its duration as prescribed in the articles of incorporation;
- (ii) The arising of grounds for dissolution as prescribed in the articles of incorporation;
- (iii) Inability to succeed in the business which is the purpose of the general incorporated foundation due to a loss of the basic property and other grounds;
- (iv) Merger (limited to the case where said general incorporated foundation becomes extinct due to the merger);
- (v) A decision to commence bankruptcy proceedings;

- (vi) A court ruling that orders dissolution pursuant to the provisions of Article 261, paragraph (1) or Article 268.
- (2) In addition to the grounds set forth in the items in the preceding paragraph, the general incorporated foundation may also dissolve at the end of an annual meeting of the board of councillors at which, with respect to said business year, the net assets on the balance sheet for a given business year and those in the subsequent business year both decline below three million yen.
- (3) In addition to as provided for in the preceding paragraph, a general incorporated foundation that is incorporated in a consolidation-type merger also dissolves at the end of an annual meeting of the board of councillors with respect to the next business year if the net assets on the balance sheet under Article 123, paragraph (1) as applied mutatis mutandis pursuant to Article 199 and the net assets on the balance sheet pertaining to the business year in which the date of formation of the general incorporated foundation both decline below three million yen.

(Deemed Dissolution of a Dormant General Incorporated Foundation)

Article 203 (1) In cases where the Minister of Justice has published in the official gazette, with respect to dormant general incorporated foundations, that they shall notify within two months pursuant to the provisions of the applicable Ordinance of the Ministry of Justice the registry office with jurisdiction over the locations of their principal offices that they have not abolished their businesses, when a dormant general incorporated foundation (meaning a general incorporated foundation for which it has been five years since the date when last registration pertaining to the general incorporated association was made; the same shall apply hereinafter in this Article), has not made such notification, at the expiration of said two month period the dormant general incorporated foundation shall be presumed to have dissolved; provided, however, that this shall not apply if the dormant general incorporated foundation registers itself within said period.

- (2) If a public notice is issued pursuant to the provisions of the preceding paragraph, the registry office shall notify the dormant general incorporated foundations of the fact.

(Continuation of a General Incorporated Foundation)

Article 204 In the cases set forth below, a general incorporated foundation may continue to exist as a general incorporated foundation by resolutions of the board of councillors until such time as the liquidation pursuant to the provisions of following Chapter is completed (in the cases set forth in item (ii), limited to three years after the dissolution is presumed).

- (i) After dissolution pursuant to the provisions of Article 202, paragraph (2) or

- paragraph (3), the net assets on the balance sheet pertaining to the liquidating administrative year (meaning the liquidating administrative year set forth in Article 227, paragraph (1)) are three million yen or more;
- (ii) The general incorporated foundation is presumed to have dissolved pursuant to the provisions of the preceding Article, paragraph (1).

(Restrictions on the Merger of a Dissolved General Incorporated Foundation)
Article 205 In cases where a general incorporated foundation has dissolved, the general incorporated foundation may not engage in a merger in which the general incorporated foundation becomes a general incorporated foundation that survives the merger.

Chapter IV Liquidation

Section 1 Commencement of Liquidation

- (Causes for Commencement of Liquidation)
Article 206 A general incorporated association or general incorporated foundation shall go into liquidation in the cases set forth below pursuant to the provisions of this Chapter.:
- (i) In cases where a general incorporated association or general incorporated foundation has dissolved (excluding cases of dissolution on the grounds set forth in Article 148, item (v) or Article 202, paragraph (1), item (iv) and cases of dissolution where it dissolved as a result of a ruling to commence bankruptcy proceedings and such bankruptcy proceedings have not ended);
- (ii) In cases where a judgment upholding a claim seeking invalidation of the incorporation has become final and binding; or
- (iii) In cases where a judgment upholding a claim seeking rescission of the incorporation has become final and binding.

(Capacity of Juridical Persons in Liquidation)
Article 207 A general incorporated association or general incorporated foundation that goes into liquidation pursuant to the provisions of the preceding Article (hereinafter referred to as "juridical person in liquidation") shall be deemed to remain in existence until the completion of liquidation, to the extent of the purpose of the liquidation.

Section 2 Administrative Mechanisms of Juridical Persons in Liquidation

Subsection 1 Establishment of Administrative Mechanisms for Juridical Persons in Liquidation

Article 208 (1) A juridical person in liquidation shall have one or more

liquidators.

- (2) A juridical person in liquidation may have a board of liquidators or auditors as provided in its articles of incorporation.
- (3) A juridical person in liquidation that, when it falls under any of the items of Article 206, has been a large scale general incorporated association or large scale general incorporated foundation shall have an auditor.
- (4) The provisions of Chapter II, Section 3, Subsection 2 and the preceding Chapter, Section 2, Subsection 1 (excluding portions pertaining to councillors and a board of councillors) shall not apply to juridical persons in liquidation.

Subsection 2 Assumption of the Role of Liquidator, Dismissal of Liquidators and Resignation of Auditors, etc.

(Assumption of the Role of Liquidator)

- Article 209 (1) The following persons shall become liquidators of a juridical person in liquidation:
- (i) A director (excluding cases where persons set forth in the following item or in item (iii) exist);
 - (ii) A person prescribed in the articles of incorporation; or
 - (iii) A person elected by resolution at a general meeting of members or by a board of councillors resolution.
- (2) In the absence of a liquidator pursuant to the provisions of the preceding paragraph, the court shall elect a liquidator in response to a petition by any interested party.
 - (3) Notwithstanding the provisions of the preceding two paragraphs, with respect to a juridical person in liquidation that has dissolved on the grounds set forth in Article 148, item (vii) or Article 202, paragraph (1), item (vi), the court shall elect a liquidator in response to a petition by any interested party, by the Minister of Justice, or by the court's own authority.
 - (4) Notwithstanding the provisions of paragraph (1) and paragraph (2), with respect to a juridical person in liquidation who falls under the cases set forth in Article 206, item (ii) or item (iii), the court shall elect a liquidator in response to a petition by any interested party.
 - (5) The provisions of Article 64 and Article 65, paragraph (1) shall apply mutatis mutandis to liquidators and the provisions of that Article, paragraph (3) shall apply mutatis mutandis to a juridical person in liquidation with a board of liquidators (meaning a juridical person in liquidation with a board of liquidators; the same shall apply hereinafter), respectively. In such cases, the term "directors" in the same paragraph shall be deemed to be replaced with "liquidators".

(Dismissal of Liquidators)

- Article 210 (1) A liquidator (excluding those elected by the court pursuant to provisions of the preceding Article, paragraphs (2) to (4)) of a general incorporated association in liquidation (meaning a juridical person in liquidation that is a general incorporated association; the same shall apply hereinafter) may be dismissed at any time by resolution at a general meeting of members.
- (2) A liquidator (excluding those elected by the court pursuant to the provisions of the preceding Article, paragraphs (2) through (4)) of a general incorporated foundation in liquidation (meaning a juridical person in liquidation that is a general incorporated foundation; the same shall apply hereinafter) may be dismissed by resolution of a board of councillors when that liquidator falls under any of the following conditions:
- (i) The liquidator has violated the obligations of his/her duties or has been negligent in the performance thereof;
 - (ii) Due to a mental or physical disorder, the liquidator is unable to perform his/her duties or is incapable of bearing the demands of his/her duties.
- (3) If there are significant grounds, the court may dismiss a liquidator in response to a petition by interested parties.
- (4) The provisions of Article 75, paragraphs (1) through (3) shall apply mutatis mutandis to liquidators.

(Resignation of Auditors)

- Article 211 (1) In cases where a juridical person in liquidation has amended the articles of incorporation to abolish the provisions of the articles of incorporation to the effect that an auditor shall be established, the auditor of the juridical person in liquidation shall resign when such amendments to the articles of incorporation take effect.
- (2) Provisions set forth in any of the following items shall not apply to juridical persons in liquidation as prescribed respectively in those items.
- (i) Article 67 (including cases that apply mutatis mutandis to Article 177):
juridical persons in liquidation
 - (ii) Article 174: general incorporated foundations in liquidation

Subsection 3 Liquidators' Duties

(Liquidators' Duties)

- Article 212 A liquidator shall perform the following duties:
- (i) Conclusion of current business;
 - (ii) Collection of debts and performance of obligations; and
 - (iii) Transfer of residual assets.

(Administration of Business Operations)

- Article 213 (1) A liquidator shall administer the business operations of the juridical person in liquidation (excluding juridical persons in liquidation with a board of liquidators; the same shall apply in the following paragraph).
- (2) In cases where there are two or more liquidators, the business operations of the juridical person in liquidation shall be decided by a majority of the liquidators, unless otherwise provided for in the articles of incorporation.
- (3) In cases provided for in the preceding paragraph, liquidators shall not delegate decisions on the following matters to individual liquidators:
- (i) The establishment, relocation or abolition of branch offices;
 - (ii) The matters set forth in Article 38, paragraph (1), all items;
 - (iii) The matters set forth in Article 181, paragraph (1), all items; and
 - (iv) The development of systems to ensure the execution of the liquidators' duties complies with laws and regulations and the articles of incorporation and other systems necessary to ensure the propriety of the liquidators' operations as specified by the applicable Ordinance of the Ministry of Justice.
- (4) The provisions of Articles 81 through 85, Article 88 and Article 89 shall apply mutatis mutandis to liquidators (as to the provisions of these Articles, excluding liquidators elected by the court under the provisions of Article 209, paragraph (2) through (4)). In such cases, the term "Article 77, paragraph (4)" in Article 81 shall be deemed to be replaced with "Article 77, paragraph (4) as applied mutatis mutandis pursuant Article 214, paragraph (7)"; the term "general meeting of members" in the same Article; Article 84, paragraph (1) and Article 89 shall be deemed to be replaced with "general meeting of members or board of councillors"; the term "representative director" in Article 82 shall be deemed to be replaced with "representative liquidator (meaning a representative liquidator prescribed in Article 214, paragraph (1))"; the term "and the resolutions of general meetings of members" in Article 83 shall be deemed to be replaced with "(for general incorporated associations in liquidation, laws and regulations, articles of incorporation and the resolutions of general meetings of members)"; the term "members" in Article 85 and Article 88, paragraph (1) shall be deemed to be replaced with "members or councillors"; and the term "general incorporated association with auditors" in Article 85 and Article 88, paragraph (2) shall be deemed to be replaced with "juridical person in liquidation with auditors (meaning a juridical person in liquidation with auditors as prescribed in Article 214, paragraph (6))".

(Representatives of Juridical Persons in Liquidation)

- Article 214 (1) A liquidator or liquidators shall represent the juridical person in liquidation; provided, however, that this shall not apply in cases where

representative liquidators (meaning a liquidator or liquidators who represent the juridical person in liquidation; the same shall apply hereinafter) or other persons who represent the juridical person in liquidation are otherwise prescribed.

- (2) In cases where there are two or more liquidators referred to in the main clause of the preceding paragraph, each liquidator shall represent the juridical person in liquidation individually.
- (3) A juridical person in liquidation (excluding a juridical person in liquidation with a board of liquidators) may prescribe a representative liquidator from among the liquidators by election of a liquidator under the articles of incorporation, by choosing from among the liquidators pursuant to the prescriptions of the articles of incorporation (excluding liquidators elected by the court under the provisions of Articles 209, paragraphs (2) through (4); the same shall apply hereinafter in this paragraph) or by resolution at a general meeting of members or by a board of councillors resolution.
- (4) In cases where directors become liquidators pursuant to the provisions of Article 209, paragraph (1), item (i), at the time a representative director (meaning a director who represents a general incorporated association, etc.; the same shall apply hereinafter in this paragraph, Article 261, paragraph (1), item (iii); Article 289, item (ii); Article 293 item (i), Article 305, Article 315, paragraph (1), item (ii) (a) and Article 320, paragraph (1)) has been specified, such representative director shall become a representative liquidator.
- (5) In cases where the court has elected liquidators pursuant to the provisions of Article 209, paragraphs (2) through (4), a representative liquidator can be specified from among those liquidators.
- (6) Notwithstanding the provisions of Article 81 applied mutatis mutandis to the preceding Article, paragraph (4); the provisions of Article 77, paragraph (4) applied mutatis mutandis to the following paragraph and the provisions of Article 220, paragraph (8), in cases when a juridical person in liquidation with auditors (meaning a juridical person in liquidation with an auditor or a juridical person in liquidation who must have an auditor pursuant to the provisions of this Act; the same shall apply hereinafter in this paragraph) files an action against liquidators (including persons who were liquidators; the same shall apply hereinafter) or when liquidators file an action against a juridical person in liquidation with auditors, an auditor shall represent the juridical person in liquidation with auditors in such actions.
- (7) The provisions of Article 77, paragraphs (4) and (5) and Article 79 shall apply mutatis mutandis to representative liquidators and the provisions of Article 80 shall apply mutatis mutandis to persons elected by the provisional disposition order prescribed in Article 56 of the Civil Provisional Remedies Act to perform duties on behalf of liquidators or representative liquidators, respectively.

(Commencement of Bankruptcy Proceedings with Respect to Juridical Persons in Liquidation)

Article 215 (1) In cases where it has become clear that the property of a juridical person in liquidation is not sufficient to fully discharge its debts, liquidators shall immediately file a petition for the commencement of bankruptcy proceedings.

(2) In cases where a juridical person in liquidation is subject to a ruling for the commencement of bankruptcy proceedings, when liquidators have transferred the administration of the matter to bankruptcy trustees, the liquidators shall be deemed to have completed their duties.

(3) In cases set forth in the preceding paragraph, when the juridical person in liquidation has already made payments to creditors or has transferred residual assets to persons to whom they belong, bankruptcy trustees may retrieve the same.

(Remuneration of Court-Elected Liquidators)

Article 216 When electing a liquidator under the provisions of Article 209, paragraphs (2) through (4), the court may determine the amount of remuneration to be paid to said liquidator by the juridical person in liquidation.

(Liquidators' Liability to Juridical Persons in Liquidation)

Article 217 (1) If a liquidator is negligent in performing his/her duties, he/she is liable for compensating any damages arising therefrom with respect to the juridical person in liquidation.

(2) If a liquidator engages in a business transaction referred to in Article 84, paragraph (1), item (i) in violation of the provisions of said Article, paragraph (1) applied mutatis mutandis to Article 213, paragraph (4), the amount of profit gained by the liquidator or a third party is assumed to be the amount of damage set forth in the preceding paragraph.

(3) If damage is caused to the juridical person in liquidation through a business transaction as provided in Article 84, paragraph (1), item (ii) or (iii) applied mutatis mutandis to Article 213, paragraph (4), the liquidators set forth below shall be assumed to have been negligent in the performance of their duties:

(i) Liquidators set forth in Article 84, paragraph (1) applied mutatis mutandis to Article 213, paragraph (4);

(ii) Liquidators who decided that the juridical person in liquidation would undertake said transaction; or

(iii) Liquidators who agreed to the board of liquidators' resolution to approve said transaction.

(4) The provisions of Article 112 and Article 116, paragraph (1) shall apply

mutatis mutandis to the liquidators' liability set forth in paragraph (1). In such cases, the term "all members" in Article 112 shall be deemed to be replaced with "all members or councillors"; and the term "Article 84, paragraph (1), item (ii)" in Article 116, paragraph (1) shall be deemed to be replaced with "Article 84, paragraph (1) item (ii) applied mutatis mutandis to Article 213, paragraph (4)".

(Liquidators' Liability to Third Parties)

Article 218 (1) If a liquidator acted in bad faith or with gross negligence in the performance of his/her duties, said liquidator shall be liable to compensate losses arising in a third party as a result thereof.

(2) The provisions of the preceding paragraph shall also apply if a liquidator commits the following acts; provided, however, that this shall not apply if said liquidator has proven that he/she did not fail to exercise due care with respect to the performance of his/her duties:

(i) The making false statements or records in respect to important matters to be stated or recorded in the inventory of property, etc. provided for in Article 225, paragraph (1), and balance sheets and administrative reports set forth in Article 227, paragraph (1), and the annexed detailed statements thereof;

(ii) Making a false registration;

(iii) Giving false public notice; or

(iv) Giving false notification with respect to important matters, notice of which shall be given when soliciting contribution of funds; or making false statements or records with respect to materials used for explanations regarding the business of the relevant general incorporated association in liquidation and other matters for the purpose of such solicitation.

(Joint and Several Liability of the Liquidators)

Article 219 (1) In cases where a liquidator, director or councillor is liable for damages arising in the juridical person in liquidation or third parties, if other liquidators, directors or councillors are also liable, such persons shall be joint and several obligors.

(2) In cases described in the preceding paragraph, the provisions of Article 118 (including cases applied mutatis mutandis pursuant to Article 198) shall not apply.

Subsection 4 Boards of Liquidators

(Authority of Boards of Liquidators)

Article 220 (1) A board of liquidators shall be organized by all liquidators.

(2) A board of liquidators shall perform the following duties:

- (i) Deciding the administration of the business operations of the juridical person in liquidation with a board of liquidators;
 - (ii) Supervising the execution of the duties of the liquidators; and
 - (iii) Selecting and removing representative liquidators.
- (3) A board of liquidators shall appoint a representative liquidator from among the liquidators; provided, however, that this shall not apply when there is another representative liquidator.
- (4) A board of liquidators may remove such appointed representative liquidator or person who becomes a representative liquidator under the provisions of Article 214, paragraph (4).
- (5) When a representative liquidator has been prescribed by the court as set forth in the provisions of Article 214, paragraph (5), a board of liquidators cannot appoint or remove said representative liquidator.
- (6) A board of liquidators cannot delegate to a liquidator decisions on the execution of important business, such as the following:
- (i) Disposition and acceptance of material property;
 - (ii) Taking out of substantial loans;
 - (iii) Election and dismissal of important employees;
 - (iv) Establishment, amendment and abolition of branch offices and other important components; or
 - (v) The development of systems to ensure that the execution of the liquidators' duties complies with laws and regulations and the articles of incorporation, and other systems necessary to ensure the propriety of the liquidators' operations as specified by applicable Ordinance of the Ministry of Justice.
- (7) The following liquidators shall administer the business operations of a juridical person in liquidation with a board of liquidators:
- (i) A representative liquidator; and
 - (ii) A liquidator, other than the representative liquidator, who has been appointed by resolution of the board of liquidators to execute the business of the juridical person in liquidation with a board of liquidators.
- (8) In cases prescribed in Article 81 applied mutatis mutandis by the reading of terms pursuant to Article 213, paragraph (4), a board of liquidators may decide on a person to represent the juridical person in liquidation with a board of liquidators with respect to actions under that Article, except in cases where a general meeting of members or the board of councillors has prescribed otherwise as set forth in the provisions of the same Article.
- (9) Liquidators set forth in the items of paragraph (7) shall report to the board of liquidators on the status of their own execution of duties not less than once every three months; provided, however, that this shall not apply in cases where it is prescribed by the articles of incorporation that such reports shall be made not less than twice in intervals exceeding four months of each business year.

(10) The provisions of Article 92 shall be applied mutatis mutandis to juridical persons in liquidation with a board of liquidators. In such cases, the term "Article 84" in said Article, paragraph (1) shall be deemed to be replaced with "Article 84 as applied mutatis mutandis pursuant to Article 213, paragraph (4)," the term "general meeting of members" shall be deemed to be replaced with "general meeting of members or board of councillors," the term "council" shall be deemed to be replaced with "board of liquidators," the term "Article 84, paragraph (1), all items" in said Article, paragraph (2) shall be deemed to be replaced with "Article 84, paragraph (4), all items applied mutatis mutandis pursuant to Article 213, paragraph (4)," the term "director" shall be deemed to be replaced with "liquidator," the term "to the council" shall be deemed to be replaced with "to the board of liquidators".

(Operations of Boards of Liquidators)

Article 221 (1) A board of liquidators meeting can be convened by every liquidator; provided, however, that if there is a given liquidator who convenes a board of liquidators meeting as prescribed by the articles of incorporation or the board of liquidators, said liquidator shall convene said meetings.

(2) In cases provided in the proviso to the preceding paragraph, liquidators other than the liquidator referred to in the proviso to the preceding paragraph (hereinafter referred to as the "convener" in this paragraph and the following Article, paragraph (2)) may demand the convener to convene a meeting of the board of liquidators by indicating a matter to be the purpose of the board of liquidators meeting.

(3) In cases where no notice to convene for a board of liquidators meeting was issued within five days from the day of the demand set forth in the provisions of the preceding paragraph stating a day within two weeks of the day such demand was made as the date of a board of liquidators meeting, the liquidator who made such demand may convene the board of liquidators meeting.

(4) The provisions of Article 94 shall apply mutatis mutandis to the convening of board of liquidators meetings for a juridical person in liquidation with a board of liquidators. In such cases, the term "each director and each auditor" in said Article, paragraph (1) shall be deemed to be replaced with "each liquidator (or, for a juridical person in liquidation with auditors (meaning a juridical person in liquidation with auditors set forth in the provisions of Article 214, paragraph (6); the same shall apply in the following paragraph) each liquidator and each auditor)"; the term "directors and auditors" in said Article, paragraph (2) shall be deemed to be replaced with "liquidators (or, for a juridical person in liquidation with auditors, liquidators and auditors)".

(5) The provisions of Article 95 and Article 96 shall be applied mutatis mutandis with respect to the resolutions of a board of liquidators for a juridical person in

liquidation with a board of liquidators. In such cases, the term "of directors" in Article 95, paragraph (1) shall be deemed to be replaced with "of liquidators"; the term "directors" in said Article, paragraph (2) shall be deemed to be replaced with "liquidators"; the term "directors(when" in said Article, paragraph (3) shall be deemed to be replaced with "liquidators (when"; the term "representative director" shall be deemed to be replaced with "representative liquidator"; the term "Directors who" in said Article, paragraph (5) shall be deemed to be replaced with "Liquidators who"; the term "a director" shall be deemed to be replaced with "a liquidator"; and the term "directors (limited" shall be deemed to be replaced with "liquidators (limited".

(6) The provisions of Article 98 shall be applied mutatis mutandis with respect to reports to a board of liquidators for a juridical person in liquidation with a board of liquidators. In such cases, the term "directors, auditors or accounting auditors" in said Article, paragraph (1) shall be deemed to be replaced with "liquidators or auditors"; the term "directors and auditors" shall be deemed to be replaced with "liquidators (for juridical persons in liquidation with a board of auditors (meaning juridical person in liquidation with auditors set forth in the provisions of Article 214, paragraph (6)), liquidators and auditors)"; the term "Article 91, paragraph (2)" in said Article, paragraph (2) shall be deemed to be replaced with "Article 220, paragraph (9)".

(Demand for the Convocation of a Meeting by Members or Councillors)

Article 222 (1) A member or councillor of a juridical person in liquidation with a board of liquidators (excluding juridical persons in liquidation with a board of auditors) may demand the convocation of a board of liquidators meeting when a liquidator has engaged in actions outside the scope of the purposes of the juridical person in liquidation with a board of liquidators or has engaged in other actions that violate laws and regulations or the articles of incorporation, or when a risk of such actions is found.

(2) A demand under the provisions of the preceding paragraph shall be made by indicating to the liquidators (or, for cases which are under the provisions of the proviso of the preceding paragraph, conveners) the matters that are to be the purpose of the board of liquidators meeting.

(3) The provisions of paragraph (3) of the preceding Article shall apply mutatis mutandis in cases where demands are made under the provisions of paragraph (1).

(4) A member or councillor who has made a demand under the provisions of paragraph (1) may attend and offer opinions at the board of liquidators meeting convened based on said demand, or under the provisions of the preceding Article, paragraph (3) applied mutatis mutandis pursuant to the preceding paragraph.

(Minutes)

- Article 223 (1) A juridical person in liquidation with a board of liquidators shall keep in its principal office, from the day of a board of liquidators meeting (including days it has been deemed that a resolution of the board of liquidators has been made under the provisions of Article 96 applied mutatis mutandis pursuant to Article 221, paragraph (5)) for a period of ten years, minutes referred to in Article 95, paragraph (3) applied mutatis mutandis pursuant to said paragraph, or written documents or electromagnetic records which specify or have recorded therein the manifestations of intent referred to in Article 96 applied mutatis mutandis pursuant to Article 221, paragraph (5) (hereinafter referred to as "minutes, etc." in this Article).
- (2) A member or councillor may make the following requests at any time during the business hours of the juridical person in liquidation; provided, however, that with respect to members this is limited to times when it is necessary to exercise such rights:
- (i) When minutes, etc. set forth in the preceding paragraph have been prepared as documents, to request inspection or copy of said documents; or
 - (ii) When minutes, etc. set forth in the preceding paragraph have been prepared as electromagnetic records, to request inspection or copy of anything that displays the data recorded in said electromagnetic records in a manner prescribed by the applicable Ordinance of the Ministry of Justice.
- (3) With respect to the application of the provisions of the preceding paragraph to a general incorporated association in liquidation that is a juridical person in liquidation with auditors, the term "anytime during the business hours of the juridical person in liquidation" in said paragraph shall be "with the permission of the court".
- (4) Creditors may make the requests set forth in the items of paragraph (2) with respect to minutes, etc. of paragraph (1), with the permission of the court, when it is necessary to pursue the liability of liquidators or auditors.
- (5) If the court finds that the inspection or copying pertaining to the requests set forth in all the items of paragraph (2) applied by the reading of terms under the provisions of paragraph (3) or a request set forth in the preceding paragraph is likely to cause substantial detriment to said juridical person in liquidation with a board of liquidators, the court may not grant permission under paragraph (2) applied by the reading of terms under the provisions of paragraph (3) or the permissions set forth in the preceding paragraph.

Subsection 5 Application of Provisions Regarding Directors

Article 224 (1) With respect to a juridical person in liquidation, provisions

regarding directors, council or general incorporated associations with council found under the provisions of Article 65, paragraph (2); Article 72 and Article 74, paragraph (3) (including cases in which these provisions are as applied mutatis mutandis pursuant to Article 177); Article 87 and Chapter II, Section 3, Subsection 6 (including cases in which these provisions are as applied mutatis mutandis pursuant to Article 197, excluding Article 104, paragraph (1)) shall apply to liquidators, boards of liquidators or juridical persons in liquidation with a board of liquidators as provisions regarding each liquidator, board of liquidators or juridical person in liquidation with a board of liquidators.

(2) With respect to general incorporated associations in liquidation, provisions regarding directors, councils or general incorporated associations with council found in provisions of Chapter II, Section 3, Subsection 1 and Article 137, paragraph (10) shall apply to liquidators, boards of liquidators and general incorporated associations in liquidation with boards of liquidators as provisions regarding each liquidator, board of liquidators or general incorporated association in liquidation with a board of liquidators.

(3) With respect to general incorporated foundations in liquidation, provisions regarding directors or the councils in the provisions of Article 153, paragraph (3), item (i); Article 173, paragraph (2) and the preceding Chapter, Section 2, Subsection 3 shall apply to liquidators or boards of liquidators as provisions regarding each liquidator or board of liquidators. In such cases, the term "a resolution of the council" in Article 181, paragraph (1) shall be "liquidators"; the term "shall provide the matters set forth below" shall be "shall provide the matters set forth below; provided, however, that for a general incorporated foundation in liquidation with a board of liquidators (meaning a general incorporated foundation in liquidation prescribed in Article 210, paragraph (2)) the decision of said matters shall be by resolution of the board of liquidators".

Section 3 Inventory of Property

(Preparation of Inventory of Property)

Article 225 (1) Following the assumption of the role of liquidator, liquidators (or, for juridical persons in liquidation with a board of liquidators, liquidators as set forth in Article 220, paragraph (7), all items) shall, without delay, investigate the status of the property of the juridical person in liquidation and shall prepare, as prescribed by the applicable Ordinance of the Ministry of Justice, an inventory of property and a balance sheet (hereinafter referred to as "inventory of property, etc." in this Article and the following Article) as of the day when the juridical person in liquidation fell under any of the cases set forth in Article 206.

(2) For juridical persons in liquidation with a board of liquidators, the inventory

of property, etc. shall be approved by the board of liquidators.

- (3) Liquidators shall submit or provide the inventory of property, etc. (or, in cases of application of the provisions of the preceding paragraph, an inventory of property, etc. that has been approved under said paragraph) at a general meeting of members or to the board of councillors and must obtain approval at said general meeting of members or from said board of councillors.
- (4) A juridical person in liquidation shall preserve said inventory of property, etc. from the time the inventory of property, etc. is prepared until the time of the registration of the completion of liquidation at the location of the principal office.

(Order to Submit an Inventory of Property)

Article 226 The court may, in response to a petition or by the court's own authority, order parties to an action to submit inventories of property, etc., in whole or in part.

(Preparation and Preservation of Balance Sheets)

Article 227 (1) A juridical person in liquidation shall, as prescribed by the applicable Ordinance of the Ministry of Justice, prepare a balance sheet and administrative report pertaining to each liquidating administrative year (meaning each one year period starting on the day immediately following the day when the juridical person in liquidation came to fall under any of the cases set forth in the items of Article 206 (or, in cases where such a corresponding day does not exist, the preceding day)) and shall prepare annexed detailed statements thereof.

- (2) Balance sheets, administrative reports and annexed detailed statements thereof set forth in the preceding paragraph may be prepared using electromagnetic records.
- (3) A juridical person in liquidation shall, from the time of preparation of the balance sheet under paragraph (1) until the time of registration of the completion of liquidation at the location of the principal office, preserve said balance sheet, administrative report and annexed detailed statements thereof.

(Auditing of the Balance Sheet)

Article 228 (1) A juridical person in liquidation with auditors shall have the balance sheet, administrative report and annexed detailed statements thereof set forth in the preceding Article, paragraph (1) audited by auditors as prescribed by the applicable Ordinance of the Ministry of Justice.

- (2) A juridical person in liquidation with a board of liquidators shall obtain approval of the board of liquidators for the balance sheet, administrative report and annexed detailed statements thereof under the preceding Article,

paragraph (1) (or, in cases of application of the provisions of the preceding paragraph, undergo the audit of the preceding paragraph).

(Keeping and Inspection of Balance Sheet)

Article 229 (1) Juridical persons in liquidation set forth in each of the following items shall keep the balance sheet and administrative report pertaining to each liquidating administrative year prescribed in Article 227, paragraph (1) and the annexed detailed statements thereof (including audit reports in cases of the application of the provisions of the preceding Article, paragraph (1); hereinafter referred to as "balance sheet, etc." in this Article) at the principal office thereof, from the day when each applicable item is prescribed until the time of the registration of the completion of liquidation at the location of the principal office:

- (i) General incorporated association in liquidation: the day one week prior to the day of the annual general meeting of members (or, in cases under Article 58, paragraph (1), the day the proposal under said paragraph is submitted);
 - (ii) General incorporated foundation in liquidation: the day one week prior to the day of the annual meeting of the board of councillors (or, in cases under Article 194, paragraph (1), the day the proposal under said paragraph is submitted);
- (2) Members, councillors and creditors may make the following requests at any time during the business hours of the juridical person in liquidation; provided, however, that members and creditors making requests set forth in items (ii) and (iv) pay the fees prescribed by said juridical person in liquidation:
- (i) When a balance sheet, etc. is prepared in writing, request to inspect said documents;
 - (ii) Request for the issuance of a transcript or extract of the documents referred to in the preceding item;
 - (iii) When a balance sheet, etc. is prepared by electromagnetic records, a request to inspect anything that displays the data recorded in said electromagnetic records, in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice; or
 - (iv) Request that the matters recorded in electromagnetic records referred to in the preceding item be provided by electromagnetic means prescribed by the juridical person in liquidation, or request for the issuance of any document that describes said matters.

(Submission of Balance Sheets)

Article 230 (1) For the juridical persons in liquidation set forth in each of the following items, liquidators shall submit or provide balance sheets and administrative reports prescribed by each applicable item at the annual

general meeting of members or annual meeting of the board of councillors:

- (i) Juridical person in liquidation with auditors (excluding juridical persons in liquidation with a board of liquidators): balance sheet and administrative report that have been audited under the provisions of Article 228, paragraph (1);
 - (ii) Juridical person in liquidation with a board of liquidators: balance sheet and administrative report that have been approved under the provisions of Article 228, paragraph (2); or
 - (iii) Juridical person in liquidation other than those set forth in the preceding two items: balance sheet and administrative report under the provisions of Article 227, paragraph (1).
- (2) A balance sheet submitted or provided pursuant to the provisions of the preceding paragraph shall be approved by the annual general meeting of members or annual meeting of the board of councillors.
- (3) Liquidators shall report the contents of the administrative reports submitted or provided pursuant to the provisions of paragraph (1) to the annual general meeting of members or annual meeting of the board of councillors.

(Orders to Submit a Balance Sheet)

Article 231 The court may, in response to a petition or by own authority, order parties to an action to submit the balance sheet and the annexed detailed statements thereof under Article 227, paragraph (1), in whole or in part.

(Exemption from Application)

Article 232 The provisions of Chapter II, Section 4, Subsection 3 (including cases that apply mutatis mutandis pursuant to Article 199, excluding Article 123, paragraph (4); Article 128, paragraph (3); Article 129 and Article 30) do not apply to juridical persons in liquidation.

Section 4 Performance of Obligations

(Public Notice to Creditors)

- Article 233 (1) A juridical person in liquidation shall, without delay after coming to fall under any of the cases set forth in the items of Article 206, give public notice in the official gazette to the creditors of said juridical person in liquidation to the effect that creditors should state their claim during a certain period of time, and shall give notice separately to each known creditor; provided, however, that said period shall not be less than two months.
- (2) Public notice pursuant to the provisions of the preceding paragraph shall contain a supplementary note to the effect that said creditors will be excluded from the liquidation if they do not state a claim within said period of time.

(Restrictions on the Performance of Obligations)

Article 234 (1) A juridical person in liquidation shall not perform its obligations during the period of time set forth in the preceding Article, paragraph (1). In such cases, a juridical person in liquidation shall not be exempted from liability arising from failure to perform such obligations.

(2) Notwithstanding the provisions of the preceding paragraph, even during the period of time set forth in the preceding Article, paragraph (1), a juridical person in liquidation may, with permission of the court, perform its obligations pertaining to minor claims, claims secured by security interests over the property of the juridical person in liquidation, or other claims unlikely to be detrimental to other creditors even if performed. In such cases, if there are two or more liquidators, the petition for said permission shall be made with the consent of all liquidators.

(Performance of Obligations Pertaining to Conditional Claims)

Article 235 (1) A juridical person in liquidation may perform its obligations pertaining to conditional claims, claims of indeterminate duration or other claims of indeterminable amount. In such cases, a petition to elect an appraiser shall be made to the court for the purpose of having such claims evaluated.

(2) In cases set forth in the preceding paragraph, a juridical person in liquidation shall perform its obligations pertaining to the claims under that paragraph in accordance with the evaluation of the appraiser under that paragraph.

(3) Expenses for the procedures for the election of an appraiser under paragraph (1) shall be borne by the juridical person in liquidation. The same shall apply to the expenses for summonses and questions for the purposes of the appraisal performed by said appraiser.

(Restriction on the Return of Funds)

Article 236 The performance of obligations pertaining to the return of funds may not be performed until after the remaining obligations of the general incorporated association in liquidation have been performed.

(Restrictions on the Transfer of Residual Assets Prior to Performance of Obligation)

Article 237 A juridical person in liquidation may not transfer property until it has performed the obligations of said juridical person in liquidation; provided, however, that this shall not apply in cases where property regarded as necessary for the performance of obligations pertaining to a claim that is the subject of dispute as to its existence or amount have been withheld.

(Exclusion from Liquidation)

Article 238 (1) Creditors of a juridical person in liquidation (excluding known creditors) who fail to state their claim during the period under Article 233, paragraph (1) shall be excluded from the liquidation.

(2) Creditors who were excluded from liquidation pursuant to the provisions of the preceding paragraph may demand performance only with respect to residual assets that have not been transferred.

Section 5 Ownership of Residual Assets

Article 239 (1) Ownership of residual assets shall be as prescribed by the articles of incorporation.

(2) When ownership of residual assets is not prescribed pursuant to the provisions of the preceding paragraph, such ownership shall be prescribed by resolution at a general meeting of members or by board of councillors resolution of the juridical person in liquidation.

(3) Residual assets of which ownership is not prescribed pursuant to the provisions of the preceding two paragraphs belong to the national treasury.

Section 6 Completion of Liquidation Administration

(Completion of Liquidation Administration)

Article 240 (1) When liquidation administration has been completed, the juridical person in liquidation shall prepare, without delay, a statement of accounts as prescribed by the applicable Ordinance of the Ministry of Justice.

(2) For a juridical person in liquidation with a board of liquidators, the statement of accounts shall be approved by the board of liquidators.

(3) A liquidator shall submit or provide a statement of accounts (or, in cases where provisions of the preceding paragraph apply, a statement of accounts that has been approved under that paragraph) at a general meeting of members or to the board of councillors and must obtain the approval of the same.

(4) If approval is given under property the preceding paragraph, an exemption shall be deemed to have been given for the liquidator's liability for failure to perform its duties; provided, however, that this shall not apply when there has been misconduct regarding the execution of the liquidator's duties.

(Preservation of Accounting Materials)

Article 241 (1) A liquidator (or, for a juridical person in liquidation with a board of liquidators, the liquidators set forth in Article 220, paragraph (7), all items) shall preserve the books of the juridical person in liquidation and all important

materials regarding the business and liquidation of the same (hereinafter referred to as "accounting materials" in this Article) for a period of ten years from the time of the registration of the completion of the liquidation at the location of the principal office of the juridical person in liquidation.

- (2) The court may, in response to a petition by interested parties, elect a person to preserve the accounting materials on behalf of the liquidator set forth in the preceding paragraph. In such cases, the provisions set forth in this paragraph do not apply.
- (3) The person elected pursuant to the provisions of the preceding paragraph shall preserve the accounting materials for a period of ten years from the time of the registration of the completion of the liquidation at the location of the principal office of the juridical person in liquidation.
- (4) Expenses for the procedures of election pursuant to the provisions of paragraph (2) shall be borne by the juridical person in liquidation.

Chapter V Mergers

Section 1 General Rules

(Conclusion of Merger Agreements)

Article 242 A general incorporated association or a general incorporated foundation may merge with another general incorporated association or general incorporated foundation. In such cases, the juridical persons wishing to conduct the merger shall conclude a merger agreement.

(Limitations on Mergers)

Article 243 (1) In the cases described in the following items, the general incorporated association or general incorporated foundation surviving the merger, or the general incorporated association or general incorporated foundation incorporated in the merger, shall be of the type of juridical person prescribed respectively in the relevant item:

- (i) A general incorporated association, in cases in which the merging juridical persons are general incorporated associations only;
 - (ii) A general incorporated foundation, in cases in which the merging juridical persons are general incorporated foundations only;
- (2) In cases other than those set forth in the items above, when the merging general incorporated association has not returned the total amount of funds by the date of conclusion of the merger agreement, the juridical person surviving the merger or the juridical person incorporated in the merger shall be a general incorporated association.

Section 2 Absorption-Type Mergers

Subsection 1 Absorption-Type Merger Agreements, etc.

(Absorption-Type Merger Agreements)

Article 244 In cases in which a general incorporated association or a general incorporated foundation performs an absorption-type merger, the following matters shall be specified in the absorption-type merger agreement:

- (i) The name and address of the general incorporated association or general incorporated foundation surviving the absorption-type merger (hereinafter referred to as "the juridical person surviving the absorption-type merger") and the general incorporated association or general incorporated foundation extinguished in the absorption-type merger (hereinafter referred to as "the juridical person extinguished in the absorption-type merger");
- (ii) The date on which the absorption-type merger comes into effect (hereinafter in this Section referred to as "effective date").

(Effectuation, etc. of Absorption-Type Mergers)

Article 245 (1) The juridical person surviving the absorption-type merger shall assume the rights and obligations of the juridical person extinguished in the absorption-type merger on the effective date.

- (2) If the dissolution by absorption-type merger of the juridical person extinguished in the absorption-type merger does not occur after the registration of said merger, the above provisions cannot be asserted against a third party.
- (3) The provisions of the preceding two paragraphs shall not apply in cases in which procedures under the provisions of Article 248 or Article 252 have not terminated, or in cases in which the absorption-type merger is suspended.

Subsection 2 Procedures for Juridical Persons Extinguished in Absorption-Type Mergers

(Keeping and Inspection, etc., of Documents, etc., Related to Absorption-Type Merger Agreements)

Article 246 (1) The juridical person extinguished in an absorption-type merger shall record the content of the absorption-type merger agreement and matters otherwise prescribed by the applicable Ordinance of the Ministry of Justice from the day on which the absorption-type merger agreement began to be kept to the effective date, and shall keep documents or electromagnetic records at its principal office.

- (2) "The day on which the absorption-type merger agreement began to be kept" prescribed in the preceding paragraph is the earliest of the following dates:
 - (i) Two weeks before the date of the general meeting of members referred to in

the following Article, when the juridical person extinguished in the absorption-type merger is a general incorporated association (or in cases under Article 58, paragraph (1), the date of the proposal under said paragraph);

(ii) Two weeks before the date of the meeting of the board of councillors referred to in the following Article, when the juridical person extinguished in the absorption-type merger is a general incorporated foundation (or in cases under Article 94, paragraph (1), the date of the proposal under said paragraph);

(iii) The date of public notice under the provisions of Article 248, paragraph (2), or the date of notice under the provisions of the same Article; whichever is earlier.

(3) The members, councillors, and creditors of the juridical person extinguished in the absorption-type merger may make the following requests at any time during the business hours of the juridical person extinguished in the absorption-type merger; provided, however, that when making the requests set forth in items (ii) and (iv), members and creditors shall pay for any costs prescribed by the juridical person extinguished in the absorption-type merger:

(i) Requests to inspect the documents described in paragraph (1);

(ii) Requests to receive a certified copy or abridged copy of the documents described in paragraph (1);

(iii) Requests to inspect anything recorded pursuant to paragraph (1) in electromagnetic records, in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice;

(iv) Requests to be provided with the matters recorded in electromagnetic records pursuant to paragraph (1) by the electromagnetic means prescribed by the juridical person extinguished in the absorption-type merger, or requests to be issued any document that describes said matters.

(Approval of Absorption-Type Merger Agreements)

Article 247 A juridical person extinguished in an absorption-type merger must receive approval for the absorption-type merger agreement by resolution at a general meeting of members or by a board of councillors resolution by the day immediately prior to the effective date.

(Objections of Creditors)

Article 248 (1) Creditors of a juridical person extinguished in an absorption-type merger may state their objections regarding the absorption-type merger to the juridical person extinguished in the absorption-type merger.

(2) A juridical person extinguished in an absorption-type merger shall give public notice of the matters set forth below in the official gazette, and shall give

notice separately to each known creditor; provided, however, that the period described in item (iv) shall not be less than one month:

- (i) Intent to perform an absorption-type merger;
 - (ii) Name and address of the juridical person surviving the absorption-type merger;
 - (iii) Items prescribed by the applicable Ordinance of the Ministry of Justice as related to financial statements (refers to financial statements as specified in Article 123 paragraph (2) (including cases applied *mutatis mutandis* pursuant to Article 199); the same shall apply hereinafter) of the juridical person extinguished in the absorption-type merger and the juridical person surviving the absorption-type merger;
 - (iv) The fact that creditors may state objections within a certain period of time.
- (3) Notwithstanding the provisions of the preceding paragraph, when a juridical person extinguished in an absorption-type merger provides public notice under the provisions of the preceding paragraph by the methods set forth in items (ii) and (iii) of said paragraph in accordance with provisions of Article 331 paragraph (1), in addition to the official gazette, the separate notice under the provisions of the preceding paragraph shall not be required.
- (4) In cases wherein a creditor has not stated an objection within the period of time specified under the terms of paragraph (2) item (iv), said creditor shall be deemed to have approved the absorption-type merger.
- (5) In cases wherein a creditor has stated an objection within the period of time specified under the terms of paragraph (2) item (iv), the juridical person extinguished in the absorption-type merger shall make payments, provide adequate collateral, or place adequate property in trust with a trust company, etc. (refers to trust companies and financial institutions operating trust businesses (refers to financial institutions approved under Article 1 paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions (Law No. 43, 1943); the same shall apply hereinafter) for the purpose of payment to the creditor; provided, however, that this shall not apply when there is no risk of harm to said creditor from the absorption-type merger.
- (6) The provisions of the preceding paragraphs shall not apply to creditors of claims pertaining to return of funds.

(Changes to the Effective Date of Absorption-Type Mergers)

Article 249 (1) A juridical person extinguished in an absorption-type merger may change the effective date with the consent of the juridical person surviving the absorption-type merger.

- (2) In cases described in the preceding paragraph, the juridical person extinguished in the absorption-type merger shall provide public notice of the post-change effective date by the day immediately prior to the pre-change

effective date (in cases where the post-change effective date is a date prior to the pre-change effective date, said post-change effective date).

- (3) When the effective date is changed according to the provisions of paragraph (1), the post-change effective date shall be treated as the effective date, and the provisions of Article 245 and this Subsection shall apply.

Subsection 3 Procedures for Juridical Persons Surviving Absorption-Type Mergers

(Keeping and Inspection, etc., of Documents, etc., Related to Absorption-Type Merger Agreements)

Article 250 (1) A juridical person surviving an absorption-type merger shall record the content of the absorption-type merger agreement and matters otherwise prescribed by the applicable Ordinance of the Ministry of Justice from the day on which the absorption-type merger agreement began to be kept until six months after the effective date, and shall keep documents or electromagnetic records at its principal office.

- (2) "The day on which the absorption-type merger agreement began to be kept" prescribed in the preceding paragraph shall be the earliest of the following dates:

(i) Two weeks before the date of the general meeting of members referred to in the following Article, when the juridical person surviving the absorption-type merger is a general incorporated association (or in cases under Article 58 paragraph (1), the date of the proposal under said paragraph);

(ii) Two weeks before the date of the meeting of the board councillors referred to in the following Article, when the juridical person surviving the absorption-type mergers is a general incorporated foundation (or in cases under Article 194 paragraph (1), the date of the proposal under said paragraph);

(iii) The date of public notice under provisions of Article 252, paragraph (2), or the date of notice under provisions of the same Article; whichever is earlier.

- (3) The members, councillors, and creditors of a juridical person surviving an absorption-type merger may make the following requests at any time during the business hours of the juridical person surviving the absorption-type merger; provided, however, that when making the requests set forth in items (ii) or (iv), members and creditors shall pay for any costs prescribed by the juridical person surviving the absorption-type merger:

(i) Requests to inspect the documents described in paragraph (1);

(ii) Requests to receive a certified copy or abridged copy of the documents described in paragraph (1);

(iii) Requests to inspect anything recorded pursuant to paragraph (1) in

electromagnetic records, in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice;

- (iv) Requests to be provided with the matters recorded in electromagnetic records pursuant to paragraph (1) by the electromagnetic means prescribed by the juridical person surviving the absorption-type merger, or request the issuance of any document that describes said matters.

(Approval of Absorption-Type Merger Agreements)

Article 251 (1) A juridical person surviving an absorption-type merger must receive approval for the absorption-type merger agreement by resolution at a general meeting of members or by a board of councillors resolution by the day immediately prior to the effective date.

- (2) In cases where the amount prescribed by the applicable Ordinance of the Ministry of Justice as the amount of debt of a juridical person extinguished in an absorption-type merger to which the juridical person surviving the absorption-type merger succeeds by transfer exceeds the amount prescribed by the applicable Ordinance of the Ministry of Justice as the amount of assets of the juridical person extinguished in the absorption-type merger to which the juridical person surviving the absorption-type merger succeeds by transfer, the director shall explain this fact at the general meeting of members or to the board of councillors set forth in the preceding paragraph.

(Objections of Creditors)

Article 252 (1) Creditors of a juridical person surviving an absorption-type merger may state objections regarding the absorption-type merger to the juridical person surviving the absorption-type merger.

- (2) A juridical person surviving an absorption-type merger shall give public notice of the matters set forth below in the official gazette, and shall give notice separately to each known creditor; provided, however, that the period described in item (iv) shall not be less than one month:
 - (i) Intent to perform an absorption-type merger;
 - (ii) Name and address of the juridical person extinguished in the absorption-type merger;
 - (iii) Items prescribed by the applicable Ordinance of the Ministry of Justice as related to financial statements of the juridical person surviving the absorption-type merger and the juridical person extinguished in the absorption-type merger;
 - (iv) The fact that creditors may state objections within a certain period of time.
- (3) Notwithstanding the provisions of the preceding paragraph, when the juridical person surviving the absorption-type merger provides public notice under the provisions of the preceding paragraph by the methods set forth in

items (ii) and (iii) of said paragraph in accordance with provisions of Article 331, paragraph (1), in addition to the official gazette, the separate notice under provisions of the preceding paragraph shall not be required.

- (4) In cases where a creditor has not stated an objection within the period of time specified under the terms of paragraph (2) item (iv), said creditor shall be deemed to have approved the absorption-type merger.
- (5) In cases where a creditor has stated an objection within the period of time specified under the terms of paragraph (2) item (iv), the juridical person surviving the absorption-type merger shall make payments, provide adequate collateral, or place adequate property in trust with a trust company, etc. for the purpose of payment to the creditor; provided, however, that this shall not apply when there is no risk of harm to said creditor from said absorption-type merger.
- (6) The provisions of the preceding paragraphs shall not apply to creditors of claims pertaining to return of funds.

(Keeping and Inspection, etc., of Documents, etc., Related to Absorption-Type Merger Agreements)

Article 253 (1) A juridical person surviving an absorption-type merger shall without delay document the rights and obligations of the juridical person extinguished in the absorption-type merger succeeded to by the juridical person surviving the absorption-type merger through said absorption-type merger, and matters otherwise prescribed by the applicable Ordinance of the Ministry of Justice, or shall prepare recorded documents or electromagnetic records.

- (2) The juridical person surviving the absorption-type merger shall keep the documents or electromagnetic records set forth in the preceding paragraphs at its principal office for six months from the effective date.
- (3) The members, councillors, and creditors of the juridical person surviving the absorption-type merger may at any time make the following requests of the juridical person surviving the absorption-type merger during its operating hours; provided, however, that when making the requests set forth in items (ii) and (iv), members and creditors shall pay for any costs prescribed by the juridical person surviving the absorption-type merger:
 - (i) Request to inspect the documents described in paragraph (1);
 - (ii) Request to receive a certified copy or abridged copy of the documents described in paragraph (1);
 - (iii) Request to inspect anything recorded pursuant to paragraph (1) in electromagnetic records, in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice;
 - (iv) Request that the matters recorded in electromagnetic records pursuant to

paragraph (1) be provided by an electromagnetic means prescribed by the juridical person surviving the absorption-type merger or request the issuance of any document that describes said matters.

Section 3 Consolidation-Type Mergers

Subsection 1 Consolidation-Type Merger Agreements, etc.

(Consolidation-Type Merger Agreements)

Article 254 In cases in which two or more general incorporated associations or general incorporated foundations perform a consolidation-type merger, the following matters shall be specified in the consolidation-type merger agreement:

- (i) The names and addresses of the general incorporated associations or general incorporated foundations extinguished in the consolidation-type merger (hereinafter referred to as "juridical person extinguished in the consolidation-type merger");
- (ii) The purpose, name, and location of the principal office of the general incorporated association or general incorporated foundation incorporated in consolidation-type merger (hereinafter referred to as "juridical person incorporated in the consolidation-type merger");
- (iii) Matters prescribed in the articles of incorporation of the juridical person incorporated in the consolidation-type merger, in addition to the items in the preceding paragraph;
- (iv) The names of the persons to serve as directors upon incorporation of the juridical person incorporated in the consolidation-type merger;
- (v) When the juridical person incorporated in the consolidation-type merger is a general incorporated association with accounting auditors or a general incorporated foundation with accounting auditors, the name of the persons or entities serving as accounting auditors upon incorporation;
- (vi) When the juridical person incorporated in the consolidation-type merger is a general incorporated association with auditors, the name of the auditors at incorporation;
- (vii) When the juridical person incorporated in the consolidation-type merger is a general incorporated foundation, the names of the councillors at incorporation and the auditors at incorporation.

(Effectuation, etc. of Consolidation-Type Mergers)

Article 255 A juridical person incorporated in a consolidation-type merger shall assume the rights and obligations of the juridical person extinguished in the consolidation-type merger on the date of formation.

Subsection 2 Procedures for Juridical Persons Extinguished in Consolidation-Type Mergers

(Keeping and Inspection, etc., of Documents, etc., Related to Consolidation-Type Merger Agreements)

Article 256 (1) The juridical persons extinguished in a consolidation-type merger shall record the content of the consolidation-type merger agreement and matters otherwise prescribed by the applicable Ordinance of the Ministry of Justice from the date of the formation for the consolidation-type merger agreement to the effective date, or shall keep documents or electromagnetic records at their principal offices.

(2) "The day on which the consolidation-type merger agreement began to be kept" prescribed in the preceding paragraph is the earliest of the following dates:

(i) Two weeks before the date of the general meeting of members referred to in the following Article, when the juridical person extinguished in the consolidation-type merger is a general incorporated association (or in cases under Article 58, paragraph (1), the date of the proposal under said paragraph);

(ii) Two weeks before the date of the meeting of the board of councillors referred to in the following Article, when the juridical person extinguished in the consolidation-type merger is a general incorporated foundation (or in cases under Article 194, paragraph (1), the date of the proposal under said paragraph);

(iii) The date of public notice under provisions of Article 258 paragraph (2) or the date of notice under provisions of the same paragraph; whichever is the earlier.

(3) The members, councillors, and creditors of a juridical person extinguished in the consolidation-type merger may make the following requests at any time during the business hours of said juridical person extinguished in the consolidation-type merger; provided, however, that when making the requests set forth in items (ii) and (iv), members and creditors shall pay for any costs prescribed by said juridical person extinguished in the consolidation-type merger:

(i) Request to inspect the documents described in paragraph (1);

(ii) Request to receive a certified copy or abridged copy of the documents described in paragraph (1);

(iii) Request to inspect anything recorded pursuant to paragraph (1) in an electromagnetic record, in accordance with methods prescribed by the Ministry of Justice;

(iv) Request that the matters recorded in electromagnetic records pursuant to paragraph (1) be provided by an electromagnetic means prescribed by the

juridical person extinguished in the consolidation-type merger, or request the issuance of any documents describing said matters.

(Approval of Consolidation-Type Merger Agreements)

Article 257 Each juridical person extinguished in the consolidation-type merger shall receive approval for the consolidation-type merger agreement by a resolution of the general meeting of members or board of councillors.

(Objections of Creditors)

Article 258 (1) Creditors of a juridical person extinguished in the consolidation-type merger may state objections regarding the consolidation-type merger to said juridical person extinguished in the consolidation-type merger.

(2) Each juridical person extinguished in the consolidation-type merger shall give public notice of the matters set forth below in the official gazette, and shall give notice separately to each known creditor; provided, however, that the period described in item (iv) shall not be less than one month:

(i) Intent to effect a consolidation-type merger;

(ii) The names and addresses of all other juridical persons extinguished in the consolidation-type merger and the juridical persons incorporated in the consolidation-type merger;

(iii) Items prescribed by the applicable Ordinance of the Ministry of Justice as related to financial statements of the juridical person extinguished in the consolidation-type merger;

(iv) The fact that creditors may state objections within a certain period of time.

(3) Notwithstanding the provisions of the preceding paragraph, when a juridical person extinguished in the consolidation-type merger provides public notice under the provisions of the preceding paragraph by the methods set forth in items (ii) and (iii) of said paragraph in accordance with provisions of Article 331 paragraph (1), in addition to the official gazette, the separate notice under provisions of the preceding paragraph shall not be required.

(4) In cases where a creditor has not stated an objection within the period of time specified under the terms of paragraph (2) item (iv), said creditor shall be deemed to have approved the consolidation-type merger.

(5) In cases wherein a creditor has stated an objection within the period of time specified under the terms of paragraph (2) item (iv), the relevant juridical person extinguished in the consolidation-type merger shall make payments, provide adequate collateral, or place adequate property in trust with a trust company, etc. for the purpose of payment to the creditor; provided, however, that this shall not apply when there is no risk of harm to said creditor from said consolidation-type merger.

(6) The provisions of the preceding paragraphs shall not apply to creditors of

claims pertaining to return of funds.

Subsection 3 Procedures for Juridical Persons Incorporated in Consolidation-Type Mergers

(Special Provisions on Incorporation)

- Article 259 (1) The provisions of Chapter II, Section 1 (except for Article 11 (except for paragraph (1), item (iv)), Article 12, Article 14, Article 16, Subsection 4, and Subsection 5) shall not apply to the incorporation of juridical persons incorporated in consolidation-type mergers that are general incorporated associations.
- (2) The provisions of Chapter III, Section 1 (except for Article 153, paragraph (1), items (i) through (iii) and (viii) through (x), and paragraph (3), Article 154, Article 156, Article 160, Subsection 5 and Article 163) shall not apply to the incorporation of juridical persons incorporated in the consolidation-type merger that are general incorporated foundations.
- (3) Juridical persons extinguished in a consolidation-type merger shall prepare the articles of incorporation of the juridical person incorporated in the consolidation-type merger.

(Keeping and Inspection, etc., of Documents, etc., Related to Consolidation-Type Merger Agreements)

- Article 260 (1) A juridical person incorporated in a consolidation-type merger shall without delay after formation document the matters prescribed by the applicable Ordinance of the Ministry of Justice as matters regarding the consolidation-type merger, such as the rights and obligations that the juridical person incorporated in the consolidation-type merger succeeded to by transfer from the juridical persons extinguished in the consolidation-type merger through said consolidation-type merger, and shall prepare documents or electromagnetic records.
- (2) A juridical person incorporated in a consolidation-type merger shall for six months after the date of formation record the documents or electromagnetic records set forth in the preceding paragraph, the content of the consolidation-type merger agreement, and matters prescribed by the applicable Ordinance of the Ministry of Justice, and shall keep the documents or electromagnetic records at its principal office.
- (3) The members, councillors, and creditors of the juridical person incorporated in the consolidation-type merger may make the following requests at any time during the business hours of the juridical person incorporated in the consolidation-type merger; provided, however, that when making the requests set forth in items (ii) or (iv), members and creditors shall pay for any costs

prescribed by the juridical person incorporated in the consolidation-type merger:

- (i) Request to inspect the documents set forth in the preceding paragraph;
- (ii) Request to receive a certified copy or abridged copy of the documents set forth in the preceding paragraph;
- (iii) Request to inspect anything recorded pursuant to the preceding paragraph in electromagnetic records, in accordance with methods prescribed by the applicable Ordinance of the Ministry of Justice;
- (iv) Request that the matters recorded in electromagnetic records pursuant to the preceding paragraph be provided by an electromagnetic means prescribed by the juridical person incorporated in the consolidation-type merger, or request the issuance of any document that describes said matters.

Chapter VI Miscellaneous Provisions

Section 1 Dissolution Orders

(Dissolution Orders)

Article 261 (1) In the cases set forth below, if the court finds that the existence of a general incorporated association, etc. is unallowable for reasons pertaining to the protection of public interests, it may, in response to a petition by the Minister of Justice, members, councillors, creditors or any other interested parties, order the dissolution of the general incorporated association etc.:

- (i) When the general incorporated association, etc. is incorporated for an illegal purpose;
 - (ii) When the general incorporated association, etc. fails to commence its business within one year from the day of its formation or suspends its business continuously for one year or more, without justifiable grounds; or
 - (iii) In cases where an executive director (meaning a representative director or other director who is a director other than a representative director, who has been appointed to execute the business of the general incorporated association, etc., by resolution of the council, and who has executed the business of said general incorporated association, etc.) has committed an act that goes beyond or abuses the authority of the general incorporated association, etc. prescribed by laws and regulations or the articles of incorporation or that violates criminal laws and regulations, if such person commits said act continuously or repeatedly despite receiving a written warning from the Minister of Justice.
- (2) When a member, a councillor, a creditor or any other interested party files the petition set forth in the preceding paragraph, the court may, in response to a petition by the general incorporated association, etc., order the person who filed the petition set forth in that paragraph to provide reasonable security.

- (3) When a general incorporated association, etc. intends to file the petition set forth under the provisions of the preceding paragraph, it shall make a prima facie showing that the petition set forth in paragraph (1) has been filed in bad faith.
- (4) The provisions of Article 75, paragraph (5) and paragraph (7) and Articles 76 to 80 of the Code of Civil Procedure (Act No. 109 of 1996) shall apply mutatis mutandis to the security to be provided with respect to the petition set forth in paragraph (1) pursuant to the provisions of paragraph (2).

(Temporary Restraining Orders Concerning Property of a General Incorporated Association, etc.)

- Article 262 (1) In cases where the petition set forth in paragraph (1) of the preceding Article is filed, the court may, in response to a petition by the Minister of Justice or members, councillors, creditors or any other interested parties, or by the court's own authority, issue a disposition ordering administration by an administrator (referred to as an "administration order" in the following paragraph) or any other necessary temporary restraining order with respect to the property of the general incorporated association, etc., until a ruling is handed down on the petition set forth in that paragraph.
- (2) When the court issues an administration order, it shall elect an administrator for said administration order.
 - (3) The court may, in response to a petition by the Minister of Justice or members, councillors, creditors or any other interested parties, or by the court's own authority, dismiss the administrator set forth in the preceding paragraph.
 - (4) When the court elects an administrator as set forth in paragraph (2), it may specify the amount of remuneration to be paid by the general incorporated association, etc. to said administrator.
 - (5) The administrator set forth in paragraph (2) shall be supervised by the court.
 - (6) The court may order the administrator set forth in paragraph (2) to report the status of the property of the general incorporated association, etc. and to account for the administration thereof.
 - (7) The provisions of Article 644, Article 646, Article 647 and Article 650 of the Civil Code shall apply mutatis mutandis to the administrator set forth in paragraph (2). In such cases, the term "mandator" in Article 646, Article 647 and Article 650 of that Act shall be deemed to be replaced with "general incorporated association or general incorporated foundation".

(Duty of a Government Agency, etc. to Give Notice to the Minister of Justice)

- Article 263 If a court or any other government agency, a public prosecutor or an official comes to know in the course of their duties that there are grounds for

filing the petition set forth in Article 261, paragraph (1), or giving the warning set forth in item (iii) of that paragraph, such entity or person shall give notice to that effect to the Minister of Justice.

Section 2 Legal Action

Subsection 1 Actions Involving the Administrative Mechanism of a General Incorporated Association, etc.

(Actions Seeking Invalidation of Acts concerning the Administrative Mechanism of a General Incorporated Association, etc.)

Article 264 (1) Invalidation of the acts set forth in the following items may only be asserted by filing an action during the periods specified respectively in those items:

- (i) Incorporation of the general incorporated association, etc.: within two years from the day of formation of the general incorporated association, etc.;
 - (ii) Absorption-type merger of a general incorporated association, etc.: within six months of the day on which the absorption-type merger became effective; and
 - (iii) Consolidation-type merger of a general incorporated association, etc.: within six months from the day on which the consolidation-type merger became effective;
- (2) An action seeking invalidation of the acts set forth in the following items may be filed only by the persons specified respectively in those items:
- (i) Action set forth in item (i) of the preceding paragraph: a member, etc., of the incorporated general incorporated association etc. (meaning members, councillors, directors, auditors, and liquidators; the same shall apply hereinafter in this Subsection).
 - (ii) Action set forth in item (ii) of the preceding paragraph: a member, etc. of the general incorporated association etc. performing an absorption-type merger on the day on which said action became effective, or a member, etc., of the juridical person surviving the absorption-type merger, a trustee in bankruptcy, or a creditor who did not give approval to the absorption-type merger.
 - (iii) Action set forth in item (iii) of the preceding paragraph: a member, etc. of the general incorporated association etc. performing a consolidation-type merger on the day on which said action became effective, or a member, etc., of the juridical person incorporated in the consolidation-type merger, a trustee in bankruptcy, or a creditor who did not give approval to the consolidation-type merger.

(Actions for Declaratory Judgment of Absence or Invalidation of a Resolution at

a General Meeting of Members, etc.)

- Article 265 (1) With regard to a resolution at a general meeting of members or by a board of councillors (hereinafter referred to as a "general meeting of members, etc." in this Subsection and in Article 315, paragraph (1), item (i)), confirmation of the absence of the resolution may be claimed by filing an action.
- (2) With regard to a resolutions at a general meeting of members, etc., confirmation of invalidation of a resolution may be claimed by filing an action based on the reason that the contents of the resolution violate laws and regulations.

(Actions Seeking Revocation of a Resolution at a General Meeting of Members, etc.)

- Article 266 (1) In the cases set forth below, a member, etc. may, within three months from the day of resolution at a general meeting of members, etc., claim revocation of said resolution by filing an action. The same shall apply to a person who becomes a director, auditor, liquidator, or councillor (including persons who have the rights and obligations of a director, auditor, liquidator, or councillor pursuant to the provisions of Article 75, paragraph (1) (including the cases where applied mutatis mutandis pursuant to Article 177 and Article 210, paragraph (4)), or Article 175, paragraph (1)):

- (i) When the convocation procedures or the method of resolution at a general meeting of members, etc. violate laws and regulations or the articles of incorporation or are grossly improper;
 - (ii) When the contents of the resolution at a general meeting of members, etc. violate the articles of incorporation; or
 - (iii) When a grossly improper resolution is made as a result of a person with a special interest in said resolution at a general meeting of members, etc. exercising a voting right.
- (2) In cases where an action set forth in the preceding paragraph is filed, even if the convocation procedures or the method of resolution at a general meeting of members, etc. is in violation of laws and regulations or the articles of incorporation, the court may dismiss claims made pursuant to that paragraph if it finds that the facts in violation are not serious and will not affect the resolution.

(Actions Seeking Rescission of the Incorporation of a General Incorporated Association, etc.)

- Article 267 In the cases set forth in the following items, the persons specified respectively in those items may request rescission of the incorporation of the general incorporated association, etc. by filing an action within two years from the day of formation of the general incorporated association, etc.:

- (i) When a member or founder is able to rescind such member or founder's manifestation of intent related to the incorporation pursuant to the provisions of the Civil Code or any other Acts: such member or founder; or
- (ii) When a founder incorporates a general incorporated association, etc., in the knowledge that it will be detrimental to a creditor: such creditor.

(Actions Seeking Dissolution of a General Incorporated Association, etc.)

Article 268 In the cases set forth below, if there are unavoidable circumstances, members or councillors with not less than one-tenths (or, in cases where a lesser ratio is prescribed in the articles of incorporation, that ratio) of the voting rights of all members or councillors may claim dissolution of the general incorporated association, etc., by filing an action:

- (i) When a general incorporated association, etc. faces an extreme difficulty in executing business and the general incorporated association, etc. suffers or is likely to suffer irreparable harm; or
- (ii) When the management or disposition of property of the general incorporated association, etc. is extremely unreasonable and puts the existence of the general incorporated association, etc. at risk.

(Defendants)

Article 269 With regard to the actions set forth in the following items

(hereinafter collectively referred to as an "action concerning a component of a general incorporated association, etc." in this Section), the persons specified respectively in those items shall be the defendant:

- (i) An action seeking invalidation of the incorporation of a general incorporated association, etc.: the incorporated general incorporated association, etc.;
- (ii) An action seeking invalidation of an absorption-type merger: the juridical person surviving the absorption-type merger;
- (iii) An action seeking invalidation of a consolidation-type merger: the juridical person incorporated in the consolidation-type merger;
- (iv) An action for declaratory judgment of absence of a resolution at a general meeting of members, etc., or invalidation of a resolution at a general meeting of members, etc., based on a reason that the contents of such resolution violate laws and regulations: the relevant general incorporated association, etc.;
- (v) An action seeking revocation of a resolution at a general meeting of members, etc.: the relevant general incorporated association, etc.;
- (vi) An action seeking rescission of the incorporation of a general incorporated association, etc. pursuant to the provisions of Article 267, item (i): such general incorporated association, etc.;
- (vii) An action seeking rescission of the incorporation of a general incorporated

association, etc. pursuant to the provisions of Article 267, item (ii): such general incorporated association, etc. and the founder set forth in that item; and

(viii) An action seeking dissolution of a general incorporated association, etc.: the relevant general incorporated association, etc.

(Jurisdiction over Actions)

Article 270 Actions concerning a component of a general incorporated association, etc. shall be under the exclusive jurisdiction of the district court with jurisdiction over the location of the principal office of the general incorporated association, etc. which is the defendant.

(Orders to Provide Security)

Article 271 (1) With regard to an action concerning a component of a general incorporated association, etc. which may be filed by a member, the court may, in response to a petition by the defendant, order the member who has filed such action concerning a component of a general incorporated association, etc. to provide reasonable security; provided, however, that this shall not apply when such member is a director, auditor, or liquidator.

(2) The provisions of the preceding paragraph shall apply mutatis mutandis to actions concerning a component of a general incorporated association, etc. which may be filed by creditors.

(3) In order for a defendant to file the petition set forth in paragraph (1) (including the cases where applied mutatis mutandis pursuant to the preceding paragraph), the defendant shall make a prima facie showing that the action filed by the plaintiff is in bad faith.

(Mandatory Consolidation of Oral Arguments)

Article 272 When several actions related to an action concerning a component of a general incorporated association, etc. for the same claim are pending simultaneously, the oral arguments and judicial decisions thereof shall be made in consolidation.

(Persons Affected by an Upholding Judgment)

Article 273 A final and binding judgment upholding a claim related to an action concerning a component of a general incorporated association, etc. shall also be effective against third parties.

(Effects of a Judgment of Invalidation or Rescission)

Article 274 When a judgment upholding a claim related to an action concerning a component of a general incorporated association, etc. (limited to any one of

the actions set forth in Article 269, item (i) to item (iii), item (vi) and item (vii)) becomes final and binding, the act that is held to be invalid or revoked or rescinded by such judgment (in cases where a general incorporated association, etc. was incorporated in such act, it shall include such incorporation) shall become ineffective from that time onwards.

(Effects of a Judgment of Invalidation of a Merger)

Article 275 (1) When a judgment upholding a claim related to an action seeking invalidation of any one of the acts set forth in the following items becomes final and binding, the general incorporated association, etc. that carried out such act shall be liable jointly and severally to perform the obligations assumed by the general incorporated associations, etc. specified respectively in those items after the day on which such act became effective:

- (i) Absorption-type merger of a general incorporated association, etc.: the juridical person surviving the absorption-type merger;
- (ii) Consolidation-type merger of a general incorporated association, etc.: the juridical person incorporated in the consolidation-type merger.

(2) In the cases set forth in the preceding paragraph, the property acquired, after the day on which the acts set forth in the items of that paragraph became effective, by the general incorporated associations, etc. specified respectively in those items, shall be co-owned by the general incorporated associations, etc. that carried out such acts.

(3) In the cases set forth in the two preceding paragraphs, the portion of the obligations to be assumed by each general incorporated association, etc. set forth in paragraph (1) and share of co-ownership of property set forth in the preceding paragraph shall be decided through discussion among the general incorporated associations, etc..

(4) If no agreement is reached in the discussion set forth in the preceding paragraph with regard to the portion of the obligations to be assumed by each general incorporated association, etc. set forth in paragraph (1) and share of co-ownership of property set forth in the preceding paragraph, the court shall come to a decision, in response to a petition by each general incorporated associations, etc., by taking into account the amount of property held by each general incorporated association, etc. as of the time the act set forth in any one of the items of paragraph (1) became effective, and all other circumstances.

(Effects of a Judgment of Invalidation or Rescission of the Incorporation of a General Incorporated Association, etc.)

Article 276 (1) In cases where a judgment upholding a claim related to an action seeking invalidation or rescission of the incorporation of a general incorporated association, etc. becomes final and binding, if the cause of the invalidation or

rescission is attributable only to part of the members, the general incorporated association, etc. may continue in existence with the consent of all of the other members. In such cases, the members to whom the cause is attributable shall be deemed to have withdrawn.

- (2) The provisions of the first sentence of the preceding paragraph shall apply mutatis mutandis when a judgment upholding a claim related to an action seeking invalidation or rescission of the incorporation of a general incorporated association, etc. becomes final and binding. In such cases, the term "member" shall be deemed to be replaced with "founder".

(Liability for Damages in Cases Where the Plaintiff Loses an Action)

Article 277 In cases where a plaintiff who filed an action concerning a component of a general incorporated association, etc., loses said action, if said plaintiff acted in bad faith or with gross negligence, he/she shall be jointly and severally liable to compensate the defendant for damages.

Subsection 2 Liability Actions Against a General Incorporated Association

(Liability Actions)

Article 278 (1) A member may demand that the general incorporated association, in writing or by any other method prescribed by the applicable Ordinance of the Ministry of Justice, file a liability action against members at incorporation, director at incorporation, and officer, etc. (meaning the officer, etc. prescribed in Article 111, paragraph (1); the same shall apply in paragraph (3)) or liquidator (hereinafter in this Subsection referred to as a "liability action"); provided, however, that this shall not apply in cases where the purpose of the liability action is to seek unlawful gains of such member or a third party or to inflict damages on such general incorporated association.

(2) When the general incorporated association has not filed a liability action within sixty days from the day of a demand made pursuant to the provisions of the preceding paragraph, the member who has made such demand may file a liability action on behalf of the general incorporated association.

(3) In cases where the general incorporated association has not filed a liability action within sixty days from the day of the demand made pursuant to the provisions of paragraph (1), if there is a request by the member who made such demand or a member at incorporation, director at incorporation, officer, etc. or liquidator as set forth in that paragraph, it shall, without delay, notify the person who made such request of the reason for not filing said liability action, in writing or by any other method prescribed by the applicable Ordinance of the Ministry of Justice.

- (4) Notwithstanding the provisions of paragraphs (1) and (2), in cases where the general incorporated association is likely to suffer irreparable harm through the elapse of the period set forth in those paragraphs, the member set forth in paragraph (1) may immediately file a liability action, etc. on behalf of the general incorporated association; provided, however, that this shall not apply in the cases set forth in the proviso to that paragraph.
- (5) The liability action set forth in paragraph (2) or the preceding paragraph shall be deemed to be an action related to a claim which is not based on a property right when calculating the value of the action.
- (6) When a member files a liability action, etc., the court may, in response to a petition by the defendant, order such member to provide reasonable security.
- (7) When the defendant intends to file the petition set forth in the preceding paragraph, the defendant shall make a prima facie showing that the liability action has been filed in bad faith.

(Jurisdiction of an Action)

Article 279 A liability action shall be under the exclusive jurisdiction of the district court with jurisdiction over the location of the principal office of the general incorporated association.

(Participation in a Legal Action)

- Article 280 (1) A member or a general incorporated association may participate in a liability action either as a coparty or to assist either of the parties; provided, however, that this shall not apply when this would unduly delay the court proceedings or impose an excessive administrative burden on the court.
- (2) In order for a general incorporated association with auditors to participate in a liability action to assist a director, liquidator or a person who was formerly in such a position, it shall obtain the consent of the auditor (or, if there are two or more auditors, each auditor).
 - (3) When a member files a liability action, the member shall give notice of legal action to the general incorporated association without delay.
 - (4) When a general incorporated association files a liability action, or receives the notice of legal action set forth in the preceding paragraph, it shall give notice thereof to its members without delay.

(Settlement)

Article 281 (1) The provisions of Article 267 of the Code of Civil Procedure shall not apply to the subject-matter of a liability action in cases where a general incorporated association is not a party to settlement in such action; provided, however, that this shall not apply when such general incorporated association has given approval.

- (2) In cases set forth in the preceding paragraph, the court shall notify the general incorporated association of the contents of the settlement and give the general incorporated association notice to the effect that it should state its objection to such settlement, if any, within two weeks.
- (3) In cases where the general incorporated association does not raise any objections in writing within the period set forth in the preceding paragraph, it shall be deemed to have given approval for members to effect a settlement within the contents of the notice given pursuant to the provisions of that paragraph.
- (4) The provisions of Article 25, Article 112 (including the cases where applied mutatis mutandis pursuant to Article 217, paragraph (4)), and Article 141, paragraph (5) (limited to the portion pertaining to obligations assumed for the portion not exceeding the excess amount set forth in the proviso to that paragraph) shall not apply in cases of effecting a settlement in a liability action, etc.

(Demands for Costs, etc.)

- Article 282 (1) In cases where a member who has filed a liability action, etc. wins the action (including cases of partially winning the action), if said member has paid the necessary costs (excluding court costs) or is to pay a fee to an attorney or a legal professional corporation with respect to the liability action, the member may demand that the relevant general incorporated association pay an amount that is found to be reasonable and not exceeding the amount of said costs or the amount of said fee.
- (2) Even in cases where a member who has filed a liability action loses the case, the member shall not be obligated to compensate the relevant general incorporated association for the damages arising as a result thereof, except when said member was acting in bad faith.
 - (3) The provisions of the preceding two paragraphs shall apply mutatis mutandis to any member who participates in a legal action pursuant to the provisions set forth in Article 280, paragraph (1).

(Action for a Retrial)

- Article 283 (1) In cases where a liability action has been filed, if the plaintiff and the defendant, in collusion, have caused the court to render a judgment for the purpose of prejudicing the rights of the general incorporated association which are the subject-matter of the liability action, the general incorporated association or members may enter an appeal against the judgment that becomes final and conclusive, by filing an action for a retrial.
- (2) The provisions of the preceding Article shall apply mutatis mutandis to the appeal for retrial set forth in the preceding paragraph.

Subsection 3 Actions for Dismissal of an Officer, etc., of a General Incorporated Association, etc.

(Actions for Dismissal of an Officer of a General Incorporated Association, etc.)

Article 284 If, notwithstanding the presence of misconduct or material facts in violation of laws and regulations or the articles of incorporation in connection with the execution of the duties of a director, auditor, or councillor (hereinafter in this Subsection referred to as "officers, etc."), a proposal to dismiss such officer etc. is rejected at the general meeting of members or the meeting of the board of councillors, the following persons may demand dismissal of such officer etc. by filing an action within thirty days from the day of such general meeting of members or the meeting of the board of councillors:

- (i) Members (excluding members who are directors or auditors pertaining to said demand) holding not less than one-tenth (or, in cases where a lesser ratio is prescribed in the articles of incorporation, that ratio) of the voting rights of all members (excluding members who are the director(s) or auditor(s) pertaining to said demand).
- (ii) A councillor.

(Defendants)

Article 285 With regard to the action set forth in the preceding Article (referred to as an "actions for dismissal of an officer, etc. of a general incorporated association, etc." in the following Article and Article 315, paragraph (1), item (i) (d)), the relevant general incorporated association, etc. and the officer etc. set forth in the preceding Article shall be the defendants.

(Jurisdiction over an Action)

Article 286 An action for dismissal of an officer etc. of a general incorporated association, etc. shall be under the exclusive jurisdiction of the district court with jurisdiction over the location of the principal office of the relevant general incorporated association, etc.

Section 3 Non-Contentious Cases
Subsection 1 General Provisions

(Jurisdiction over Non-Contentious Cases)

Article 287 (1) Non-contentious cases pursuant to the provisions of this Act (excluding the cases prescribed in the following paragraph) shall be under the exclusive jurisdiction of the district court with jurisdiction over the location of the principal office of the general incorporated association, etc.

(2) Cases related to petitions set forth in Article 275, paragraph (4) shall be under the jurisdiction of the court of first instance of actions seeking invalidation of the acts set forth in the items of paragraph (1) of that Article.

(Prima Facie Showings)

Article 288 In cases wherein a petition for permission is filed pursuant to the provisions of this Act, a prima facie showing shall be made with regard to the facts that serve as the cause thereof.

(Hearing of Statements)

Article 289 When the court makes one of the judicial decisions set forth in the following items during the making of a judicial decision related to the non-contentious cases set forth in the provisions of this Act, it shall hear statements by the persons specified respectively in those items:

- (i) A judicial decision related to a petition for permission for inspection or copying, etc. of documents or electromagnetic records prepared or kept by a general incorporated association, etc., pursuant to the provisions of this Act: the relevant general incorporated association, etc.;
- (ii) A determination of the amount of remuneration for a person who is temporarily to perform the duties of a director, auditor, representative director, or councillor elected pursuant to the provisions of Article 75, paragraph (2) (including the cases where applied mutatis mutandis pursuant to Article 177), Article 79, paragraph (2) (including cases where it is applied mutatis mutandis pursuant to Article 197), or Article 175, paragraph (2), a liquidator, a person who is temporarily to perform the duties of a liquidator or representative liquidator elected pursuant to the provisions of Article 75, paragraph (2) as applied mutatis mutandis pursuant to Article 210, paragraph (4) or the provisions of Article 79, paragraph (2) as applied mutatis mutandis pursuant to Article 214, paragraph (7), an inspector, or the administrator set forth in Article 262, paragraph (2): the relevant general incorporated association, etc. (in cases where the person receiving the remuneration is a person representing the general incorporated association, etc. with an auditor, and when no person exists representing said general incorporated association, etc.; otherwise, the auditor) and the person receiving the remuneration;
- (iii) A judicial decision under provisions of Article 137, paragraph (7): the relevant general incorporated association (when prior to the formation of the general incorporated association, the members at incorporation) and the person who contributed the non-monetary property;
- (iv) A judicial decision regarding the dismissal of a liquidator: said liquidator;
- (v) A judicial decision under provisions of Article 261, paragraph (1): the

- relevant general incorporated association, etc.;
- (vi) A judicial decision regarding a petition under Article 275, paragraph (4): the relevant general incorporated association, etc. that engaged in the action specified in that paragraph.

(Appending of Reasons)

Article 290 A judicial decision for a non-contentious case pursuant to the provisions of this Act shall append the reason thereof; provided, however, that this shall not apply to the following judicial decisions:

- (i) The judicial decisions set forth in item (ii) of the preceding Article;
- (ii) The judicial decisions set forth in each of the items in Article 293.

(Immediate Appeals)

Article 291 An immediate appeal may be entered against the judicial decisions set forth in the following items by the persons specified respectively in those items:

- (i) A judicial decision on a temporary restraining order under the provisions of Article 262, paragraph (1): an interested party;
- (ii) The judicial decisions set forth in each item of Article 289: the petitioner and the relevant persons specified respectively in those items (for the judicial decisions set forth in item (ii) and item (iii) of that Article, the relevant persons specified respectively in those items).

(Stay of Execution of a Judicial Decision of the Prior Instance)

Article 292 The immediate appeal set forth in the preceding Article shall have the effect of staying execution; provided, however, that this shall not apply to an immediate appeal against the judicial decisions set forth in Article 289, item (ii) through item (iv).

(Restrictions on Appeal)

Article 293 Judicial decisions set forth in the following items may not be appealed:

- (i) A judicial decision on the election or appointment of a person who is temporarily to perform the duties of a director, auditor, representative director, or councillor prescribed by Article 289, item (ii), a liquidator, a representative liquidator, a person who is temporarily to perform the duties of a liquidator or representative liquidator prescribed in that item, an Inspector, the Appraiser set forth in Article 235, paragraph (1), or the person who retains Accounting Materials set forth in Article 241, paragraph (2);
- (ii) A judicial decision on the election or dismissal of an administrator set forth in Article 262, paragraph (2).

- (iii) A judicial decision made pursuant to the provisions of Article 262, paragraph (6).
- (iv) A judicial decision upholding a petition for permission made pursuant to the provisions of this Act (excluding the judicial decisions set forth in Article 289, paragraph (1)).

(Exclusion from Application of the Provisions of the Non-contentious Cases Procedures Act)

Article 294 The provisions of Article 15 of the Non-contentious Cases Procedures Act (1898, Act No. 14) shall not apply to non-contentious cases pursuant to the provisions of this Act.

(Supreme Court Rules)

Article 295 In addition to what is provided for in this Act, necessary matters concerning the procedures of non-contentious cases pursuant to the provisions of this Act shall be specified by the applicable Supreme Court rules.

Subsection 2 Special Provisions on Procedures of a Dissolution Order

(Participation of the Minister of Justice)

Article 296 (1) When the court makes a judicial decision related to the petition set forth in Article 261, paragraph (1), it shall seek the opinion of the Minister of Justice.

- (2) The Minister of Justice may, when the court carries out a hearing concerning a case related to the petition set forth in the preceding paragraph, attend such hearing.
- (3) The court shall notify the Minister of Justice that a case related to the petition set forth in paragraph (1) has become pending, and of the date of the hearing set forth in the preceding paragraph.
- (4) The Minister of Justice may enter an immediate appeal against a judicial decision to dismiss the petition set forth in paragraph (1).

(Special Provisions on Temporary Restraining Orders Concerning Property of a General Incorporated Association, etc.)

Article 297 (1) In cases where the court issues the temporary restraining order set forth in Article 262, paragraph (1), the expenses referred to in the main clause of Article 26 of the Non-contentious Cases Procedures Act shall be borne by the general incorporated association, etc. The same shall apply to necessary expenses with regard to such temporary restraining order.

- (2) In cases where an immediate appeal has been entered against the temporary restraining order set forth in the preceding paragraph or against a judicial

decision dismissing a petition pursuant to the provisions of Article 262, paragraph (1), if the appellate court revokes the judicial decision of prior instance by finding that grounds exist for such immediate appeal, the court costs required for the procedures in such appeal and the court costs required for the procedures in the prior instance, which had been borne by the appellant, shall be borne by the general incorporated association, etc.

Article 298 (1) An interested party may make a request to a court clerk for the inspection of documents related to the report or account set forth in Article 262, paragraph (6).

(2) An interested party may make a request to a court clerk for the copying of the documents set forth in the preceding paragraph or delivery of the original, transcript or an extract thereof.

(3) The provisions of the preceding paragraph shall not apply to audio tapes or video tapes (including objects on which certain matters are recorded by a recording method equivalent thereto) among the documents set forth in paragraph (1). In such cases, a court clerk shall permit reproduction of these objects if there is such a request from an interested party for such objects.

(4) The Minister of Justice may make a request to a court clerk for inspection of the documents set forth in paragraph (1).

(5) The provisions of Article 91, paragraph (5) of the Code of Civil Procedure shall apply mutatis mutandis to the documents set forth in paragraph (1).

Section 4 Registration

Subsection 1 General Provisions

(Effects of Registration)

Article 299 (1) The matters to be registered pursuant to the provisions of this Act may not be duly asserted against a third party who has no knowledge of such matters until after the registration. The same shall apply after the registration, if a third party did not know that such matters were registered based on justifiable grounds.

(2) A person who has registered false matters whether intentionally or through negligence may not duly assert the falsity of such matters against a third party without knowledge of such falsity.

(Period for Registration)

Article 300 The period for registration of matters to be registered pursuant to the provisions of this Act and which require the permission of a government agency shall be counted from the day of arrival of said written permission.

Subsection 2 Registration at the Location of the Principal Office

(Registration of Incorporation of a General Incorporated Association)

Article 301 (1) The registration of incorporation of a general incorporated association shall be completed at the location of the principal office within two weeks from whichever of the following days is the later:

(i) The day on which the investigation pursuant to the provisions of Article 20, paragraph (1) ended; or

(ii) The day specified by the members at incorporation.

(2) The following matters shall be registered upon the registration set forth in the preceding paragraph:

(i) The purpose;

(ii) The name;

(iii) The addresses of the principal office and branch offices;

(iv) If there are provisions in the articles of incorporation with regard to the duration or the grounds for dissolution of the general incorporated association, etc., such provisions;

(v) The name of the director;

(vi) The name and address of the representative director;

(vii) When the general incorporated association is a general incorporated association with council, a statement to that effect;

(viii) When the general incorporated association is a general incorporated association with auditors, a statement to that effect and the name of the auditor;

(ix) When the general incorporated association is a general incorporated association with accounting auditors, a statement to that effect and the name of the accounting auditor;

(x) When the general incorporated association has a person who is temporarily to perform the duties of an accounting auditor and who has been elected pursuant to the provisions of Article 75, paragraph (4), that person's name;

(xi) When there are provisions in the articles of incorporation with regard to exemption from liability of officers, etc. pursuant to the provisions of Article 114, paragraph (1), such provisions;

(xii) When there are provisions in the articles of incorporation with regard to exemption from liability of outside officers, etc. pursuant to the provisions of Article 115, paragraph (1), such provisions;

(xiii) When the provisions of the articles of incorporation set forth in the preceding item are related to outside directors, a statement to the effect that those among the Directors who are outside directors are outside directors;

(xiv) When the provisions of the articles of incorporation set forth in item (xii) are related to outside auditors, a statement to the effect that those among

- the auditors who are outside auditors are outside auditors;
- (xv) When taking measures pursuant to the provisions of Article 128, paragraph (3), the matters which are necessary for making the information contained in the balance sheet provided for in paragraph (1) of that Article available to the general public;
 - (xvi) The method of public notice;
 - (xvii) When the method of public notice in the preceding item is electronic notice (refers to electronic notices prescribed in Article 331, paragraph (1), item (iii); the same shall apply hereinafter in this item and in paragraph (2), item (xv) of the following Article), the following matters:
 - (a) The matters prescribed by applicable Ordinance of the Ministry of Justice which are necessary for making the information to be publicly notified through electronic public notice available to the general public; and
 - (b) When there are provisions of the articles of incorporation pursuant to the provisions of the second sentence of Article 331, paragraph (2), such provisions.

(Registrations of Incorporation of a General Incorporated Foundation)

- Article 302 (1) The registration of incorporation of a general incorporated foundation shall be performed at the location of the principal office within two weeks of the latest of the following days:
- (i) The day on which the investigation pursuant to the provisions of Article 61, paragraph (1) ended;
 - (ii) The day specified by the founders.
- (2) When making the registration set forth in the preceding paragraph, the matters set forth below shall also be registered:
- (i) The purpose;
 - (ii) The name; and
 - (iii) The location of the principal office and branch offices;
 - (iv) If there are provisions in the articles of incorporation with regard to the duration or the grounds for dissolution of the general incorporated foundation such provisions;
 - (v) The names of the councillors, directors, and auditors;
 - (vi) The name and address of the representative director;
 - (vii) When the general incorporated association, etc. is a general incorporated foundation with accounting auditors, a statement to that effect and the name of the accounting auditor;
 - (viii) When the general incorporated foundation has a person who is temporarily to perform the duties of an accounting auditor and who has been elected pursuant to the provisions of Article 75, paragraph (4) applied mutatis mutandis to Article 77, that person's name;

- (ix) When there are provisions in the articles of incorporation with regard to exemption from liability of officers, etc. pursuant to the provisions of Article 114, paragraph (1) applied mutatis mutandis to Article 198, such provisions;
- (x) When there are provisions in the articles of incorporation with regard to exemption from liability of outside officers, etc. pursuant to the provisions of Article 115, paragraph (1) applied mutatis mutandis to Article 198, such provisions;
- (xi) When the provisions of the articles of incorporation set forth in the preceding item are related to outside directors, a statement to the effect that those among the directors who are outside directors are outside directors;
- (xii) When the provisions of the articles of incorporation set forth in item (x) are related to outside auditors, a statement to the effect that those among the auditors who are outside auditors are outside auditors;
- (xiii) When taking measures pursuant to the provisions of Article 128, paragraph (3) as applied mutatis mutandis pursuant to Article 199, the matters which are necessary for making the information contained in the balance sheet provided for in paragraph (1) of that Article available to the general public and those prescribed by the applicable Ordinance of the Ministry of Justice;
- (xiv) The method of public notice;
- (xv) When the method of public notice set forth in the preceding item is an electronic notice, the following matters:
 - (a) The matters prescribed by the applicable ordinance of the Ministry of Justice which are necessary for making the information to be publicly notified through electronic public notice available to the general public; and
 - (b) When there are provisions of the articles of incorporation pursuant to the provisions of the second sentence of Article 331, paragraph (2), such provisions.

(Registration of Changes)

Article 303 When there is a change in a matter set forth in the items of Article 301, paragraph (2) or in any of the items of paragraph (2) of the preceding Article with regard to a general incorporated association, etc., the registration of said change shall be completed at the location of the principal office within two weeks.

(Registration of a Relocation of the Principal Office to the Jurisdictional District of Another Registry Office)

Article 304 (1) When a general incorporated association, etc. relocates its principal office to the jurisdictional district of another registry office, the

registration of relocation shall be completed at the old location and the matters specified in the following items for the categories of juridical persons set forth respectively in those items shall be registered at the new location within two weeks:

(i) For a general incorporated association: the matters set forth in the items of Article 301, paragraph (2);

(ii) For a general incorporated foundation: the matters set forth in the items of Article 302, paragraph (2).

(2) In the registration taking place in the new location, the date of the formation of the general incorporated association, etc., the fact that the principal office has been relocated, and the date of relocation shall be registered.

(Registration of a Provisional Disposition, etc. Suspending Execution of Duties)

Article 305 When a provisional disposition order suspending execution of duties by a director, auditor, representative director, or councillor of a general incorporated association, etc., or electing a person who will perform such duties on behalf of the former person is issued, or a ruling changing or revoking such provisional disposition order is made, the registration thereof shall be completed at the location of the principal office.

(Registration of an Absorption-Type Merger)

Article 306 (1) When a general incorporated association, etc. effects an absorption-type merger, a registration of dissolution shall be completed with regard to the juridical person extinguished in the absorption-type merger, and a registration of changes shall be completed with regard to the juridical person surviving the absorption-type merger, at the location of the principal office, within two weeks from the day on which the absorption-type merger became effective.

(2) In the registration of a change pursuant to an absorption-type merger, the fact that an absorption-type merger has been effected, and the name and principal office of the juridical person extinguished in the absorption-type merger shall be registered.

(Registration of a Consolidation-Type Merger)

Article 307 (1) When two or more general incorporated associations, etc. effect a consolidation-type merger, a registration of dissolution shall be completed with regard to the juridical persons extinguished in the consolidation-type merger and a registration of incorporation shall be completed with regard to the juridical person incorporated in the consolidation-type merger, at the location of the principal office, within two weeks from whichever of the following days is latest:

- (i) The day of the resolution at the general meeting of members or by board of councillors set forth in Article 257;
 - (ii) The day when procedures pursuant to provisions of Article 258 conclude; or
 - (iii) The day specified by mutual consent of the juridical persons extinguished in the consolidation-type merger.
- (2) In the registration of a change resulting from a consolidation-type merger, the fact that a consolidation-type merger has been effected, and the names and principal offices of the juridical person extinguished in the consolidation-type merger shall be registered.

(Registration of Dissolution)

Article 308 (1) When a general incorporated association, etc. is dissolved pursuant to the provisions of Article 148, item (i) to item (iv) or Article 202, paragraph (1), item (i) to item (iii), paragraph (2), or paragraph (3), the registration of dissolution shall be completed at the location of the principal office within two weeks.

- (2) In the registration of dissolution, the fact of dissolution, the grounds for dissolution, and the date of dissolution shall be registered.

(Registration of Continuation)

Article 309 When a general incorporated association, etc. continues in existence pursuant to the provisions of Article 150, Article 204 or Article 276, the registration of continuation shall be completed at the location of the principal office within two weeks.

(Registration of a Liquidator)

Article 310 (1) When the person set forth in Article 209, paragraph (1), item (i) becomes a liquidator, the following matters shall be registered at the location of the principal office within two weeks from the day of dissolution:

- (i) The name of the liquidator;
 - (ii) The name and domicile of the representative liquidator;
 - (iii) When the juridical person in liquidation has a board of liquidators, a statement to that effect; and
 - (iv) When the general incorporated association in liquidation, etc. has an auditor, a statement to that effect.
- (2) When a liquidator is elected, the matters set forth in the items of preceding paragraph shall be registered at the location of the principal office, within two weeks.
- (3) The provisions of Article 303 shall apply mutatis mutandis to registrations pursuant to the provisions of the preceding two paragraphs, and the provisions of Article 305 shall apply mutatis mutandis to a liquidator or representative

liquidator.

(Registration of Completion of Liquidation)

Article 311 When liquidation is completed, the registration of the completion of liquidation shall be completed at the location of the principal office within two weeks from the day of approval set forth in Article 240, paragraph (3).

Subsection 3 Registration at the Location of a Branch office

(Registration at the Location of a Branch Office)

Article 312 (1) In the cases set forth in the following items (excluding cases where the branch offices prescribed in those items are within the jurisdictional district of the registry office with jurisdiction over the location of the principal office), the registration at the location of a branch office shall be completed at the location of the relevant branch office within the periods specified respectively in those items:

(i) In cases where a branch office is established at the time of the incorporation of a general incorporated association, etc. (excluding the cases prescribed in the following item), within two weeks from the day the registration of incorporation was completed at the location of the principal office;

(ii) In cases where a branch office is established by the juridical person incorporated in the consolidation-type merger at the time of the consolidation-type merger, within three weeks from the latest of the days specified in the items of Article 307, paragraph (1);

(iii) In cases where a branch office is established after the formation of the general incorporated association, etc., within three weeks of the day the branch office is established.

(2) The following matters shall be registered upon the registration at the location of a branch office; provided, however, that when a branch office is newly established within the jurisdictional district of a registry office that has jurisdiction over the location of an existing branch office, it shall be sufficient to register the matter set forth in item (iii):

(i) The name;

(ii) The location of the principal office;

(iii) The location of the branch office (limited to one whose location is within the jurisdictional district of the registry office with jurisdiction over that location).

(3) When registering the matters set forth in the items set forth in the previous two paragraphs pursuant to the provisions of the previous two paragraphs at the location of the branch office, the date of the formation of the general incorporated association, etc., the fact that a branch office has been established,

and the date of the establishment of the branch office shall be registered.

- (4) When there is a change in the matters set forth in the items of the preceding paragraph, the registration of the change shall be completed at the location of the relevant branch office within three weeks.

(Registration of the Relocation of a Branch Office to the Jurisdictional District of Another Registry Office)

Article 313 (1) When a general incorporated association, etc. relocates a branch office to the jurisdictional district of another registry office, the registration of relocation shall be completed at the old location (excluding cases where the old location is within the jurisdictional district of the registry office with jurisdiction over the location of the principal office) within three weeks, and the matters specified in the items of paragraph (2) of the preceding Article shall be registered at the new location (excluding cases where the new location is within the jurisdictional district of the registry office with jurisdiction over the location of the principal office; the same shall apply hereinafter in this Article) within four weeks; provided, however, that it is sufficient to register the matter set forth in item (iii) of that paragraph at the new location when a branch office is relocated to the jurisdictional district of a registry office that has jurisdiction over the location of an existing branch office.

- (2) When registering the matters set forth in the items of paragraph (2) of the preceding Article, pursuant to the provisions of the preceding paragraph at the location of the branch office, the date of the formation of the general incorporated association, etc., the fact that a branch office has been relocated, and the date of the relocation of the branch office shall be registered.

(Registration of Changes, etc. with Regard to a Branch Office)

Article 314 In the cases prescribed in Article 306, paragraph (1), Article 307, paragraph (1), and Article 311, the registration prescribed in these provisions shall also be completed at the locations of the branch offices within three weeks from the days prescribed in these provisions; provided, however, that the registration of changes prescribed in Article 306, paragraph (1) shall be completed only in cases where there is a change in a matter set forth in the items of Article 312, paragraph (2).

Subsection 4 Commissioning of Registration

Article 315 (1) In the following cases, a court clerk shall commission the registration, by the court's own authority, to the registry office with jurisdiction over the location of the principal office (or, in the cases prescribed in item (i) (b), if the matters set forth in the items of Article 312, paragraph (2)

have been registered as a result of a relevant resolution, the principal office and the branch offices pertaining to such registration) of the general incorporated association, etc. without delay:

- (i) When a judgment upholding a claim related to any one of the following actions becomes final and binding:
 - (a) An action seeking invalidation or rescission of the incorporation of a general incorporated association, etc.;
 - (b) In cases where matters have been registered as a result of a resolution at a general meeting of members, etc. have been registered, the following actions:
 - 1. An action for a declaratory judgment of absence of a resolution at a general meeting of members, etc. or invalidation of a resolution at a general meeting of members, etc. on the basis that the contents of such resolution violate laws and regulations; or
 - 2. An action seeking revocation of a resolution at a general meeting of members, etc.;
 - (c) An action seeking dissolution of a general incorporated association, etc.;
 - (d) An action for dismissal of an officer, etc. of a general incorporated association, etc.;
 - (ii) When any one of the following judicial decisions is made:
 - (a) A judicial decision on the election of a person who is temporarily to perform the duties of a director, auditor, representative director, or councillor pursuant to the provisions of Article 75, paragraph (2) (including the cases where applied mutatis mutandis pursuant to Article 177), Article 79, paragraph (2) (including cases where it is applied mutatis mutandis pursuant to Article 197), or Article 175, paragraph (2);
 - (b) A judicial decision on the election of a person who is temporarily to perform the duties of a liquidator or representative liquidator pursuant to the provisions of Article 75, paragraph (2) as applied mutatis mutandis pursuant to Article 210, paragraph (4), or Article 79, paragraph (2) as applied mutatis mutandis pursuant to Article 214, paragraph (7);
 - (c) A judicial decision revoking the judicial decision set forth in (a) or (b);
 - (d) A judicial decision revoking a judicial decision on the election or appointment of a liquidator or a representative liquidator; or
 - (e) A judicial decision on the dismissal of a liquidator;
 - (iii) When any one of the following judicial decisions becomes final and binding:
 - (a) A judicial decision revoking the judicial decision set forth in preceding item (e) of the preceding item; or
 - (b) A judicial decision ordering the dissolution of a general incorporated association, etc., pursuant to the provisions of Article 261, paragraph (1).
- (2) When a judgment upholding a claim related to any one of the actions set forth

in the following items becomes final and binding, a court clerk shall commission the registration, by the court's own authority, to the registry office with jurisdiction over the location of the principal office of the general incorporated association, etc. without delay:

- (i) An action seeking invalidation of an absorption-type merger of a general incorporated association, etc.: registration of a change with regard to the juridical person surviving the absorption-type merger and registration of restoration with regard to the juridical person extinguished in the absorption-type merger;
 - (ii) An action seeking invalidation of a consolidation-type merger of a general incorporated association, etc.: registration of dissolution with regard to the juridical person incorporated in the consolidation-type merger and registration of restoration with regard to the juridical person extinguished in the consolidation-type merger.
- (3) In cases set forth in the preceding paragraph, if the matters set forth in the items of Article 312, paragraph (2) have been registered as a result of a merger pertaining to the purpose of a claim pertaining to the actions set forth in each of the items of that paragraph, the court clerk shall, in addition, commission the registrations set forth in the items of the preceding paragraph to the registry office(s) with jurisdiction over the locations of the branch offices of each general incorporated associations, etc.

Subsection 5 Registration Procedures, etc.

(Registry Book)

Article 316 A general incorporated association registry book and a general incorporated foundation registry book shall be provided at the registry office.

(General Rules for Attached Documents)

Article 317 (1) When consent of the entire membership or the unanimity of the directors or liquidators is required with respect to matters to be registered, a document shall be attached to the application attesting to that consent or unanimity.

(2) When a resolution at a general meeting of members, by a board of councillors, council, or by a board of liquidators is required with respect to matters to be registered, the minutes of the meeting shall be attached to the application.

(3) In cases in which a resolution is deemed to have been adopted at a general meeting of members or by a council, board of liquidators, or the board of councillors, pursuant to provisions of Article 58, paragraph (1), Article 96 (including the cases where applied mutatis mutandis pursuant to Article 197 and Article 221, paragraph (5)), or Article 194, paragraph (1) with respect to

matters to be registered, a document attesting to the pertinence of said case shall be attached to the application in place of the minutes set forth in the preceding paragraph.

(Application for Registration of Incorporation of a General Incorporated Association)

Article 318 (1) Registration of a general incorporated association shall be effected by application of a person representing said general incorporated association.

(2) The following documents shall be attached to the application for registration of incorporation of a general incorporated association, except as otherwise provided by law:

(i) The Articles of Incorporation;

(ii) When the directors at incorporation have appointed a representative director at incorporation, documentation concerning that appointment;

(iii) Documents attesting to the fact that the directors at incorporation, the auditors at incorporation, and the representative director at incorporation have consented to assume those roles;

(iv) When an accounting auditor at incorporation is elected, the documents set forth below:

(a) Documents attesting to the relevant person's consent to assume the role;

(b) When the accounting auditor at incorporation is a corporation, the registration certificate of said corporation; provided, however, that this shall exclude cases in which the principal office of said corporation is within the jurisdictional district of the relevant registry office;

(c) When the accounting auditor at incorporation is not a corporation, documentation attesting to the fact that that person is a certified public accountant.

(3) When consent of all the members at incorporation or the unanimity of the members at incorporation is required with respect to matters to be registered, a document shall be attached to the application for registration set forth in the preceding paragraph attesting to that consent or unanimity.

(Application for Registration of Incorporation of a General Incorporated Foundation)

Article 319 (1) Registration of incorporation of a general incorporated foundation shall be effected by application of a person representing said general incorporated foundation.

(2) The following documents shall be attached to the application for registration of incorporation of a general incorporated foundation, except as otherwise provided by law:

- (i) The articles of incorporation;
- (ii) Documents attesting to the fulfillment of the commitment to contribute property;
- (iii) Documents concerning election of councillors at incorporation, directors at incorporation, and auditors at incorporation;
- (iv) Documents concerning appointment of a representative director at incorporation;
- (v) Documents attesting to the fact that the councillors at incorporation, the directors at incorporation, and the representative director at incorporation have consented to assume those roles;
- (vi) When an accounting auditor at incorporation is elected, the documents set forth below:
 - (a) Documents concerning the election of an accounting auditor at incorporation;
 - (b) Documents attesting to consent to assume the role;
 - (c) When the accounting auditor at incorporation is a corporation, the registration certificate of said corporation; provided, however, that this shall exclude cases in which the principal office of said corporation is within the jurisdictional district of the relevant registry office;
 - (d) When the accounting auditor at incorporation is not a corporation, documentation attesting to the fact that that person is a certified public accountant.
- (3) When consent of all founders or the unanimity of the existing founders is required with respect to matters to be registered, a document shall be attached to the application for registration set forth in the preceding paragraph attesting to that consent or unanimity.

(Applications for Registration of Change of Director, etc.)

- Article 320 (1) A document shall be attached to applications for registration pursuant to the assumption of the role of director, auditor, or representative director attesting to said persons' consent to assume those roles.
- (2) A document concerning the election and a document attesting to a councillor's consent to assume the role shall be attached to applications for registration pursuant to a councillor's assumption of the role.
 - (3) The documents set forth below shall be attached to applications for registration pursuant to assumption of the role of accounting auditor:
 - (i) Documents attesting to the relevant person's consent to assume the role;
 - (ii) When the accounting auditor is a corporation, the registration certificate for said corporation; provided, however, that this shall not apply when the principal office of said corporation is within the jurisdictional district of the relevant registry office; and

- (iii) When the accounting auditor is not a corporation, documents attesting to the fact that that person is a certified public accountant.
- (4) When the accounting auditor is a corporation, the documents set forth in item (ii) of the preceding paragraph shall be attached to applications for registration of a change in the name of the accounting auditor; provided, however, that this shall not apply in the cases prescribed in the proviso to that item.
- (5) A document shall be attached to applications for registration of a change pursuant to resignation of the persons specified in paragraph (1) through paragraph (3) attesting to that resignation.

(Applications for Registration of Changes in the Person to Temporarily Perform the Duties of an Accounting Auditor)

Article 321 (1) The documents set forth below shall be attached to applications for registration of a change pursuant to assumption of the role of accounting auditor as set forth in Article 75, paragraph (4) (including the cases where applied mutatis mutandis pursuant to Article 177) by a person who is to temporarily perform the duties thereof:

- (i) Documents concerning the election;
 - (ii) Documents attesting to relevant person's consent to assume the role;
 - (iii) When that person is a corporation, the registration certificate of said corporation; provided, however, that this shall not apply in cases prescribed in the proviso to paragraph (3), item (ii) of the preceding Article; and
 - (iv) When that person is not a corporation, documents attesting to the fact that that person is a certified public accountant.
- (2) The provisions of paragraph (4) and paragraph (5) of the preceding Article shall be applied mutatis mutandis with respect to registration of the person to temporarily perform the duties of an accounting auditor.

(Applications for Registration of a Change Pursuant to an Absorption-Type Merger)

Article 322 The documents set forth below shall be attached to applications for registration of a change pursuant to an absorption-type merger:

- (i) The absorption-type merger agreement;
- (ii) Documents attesting to public notice and notification pursuant to provisions of Article 252, paragraph (2) (in cases when public notice is effected by the methods set forth in item (ii) and item (iii) of that paragraph as specified by provisions of Article 331, paragraph (1), public notice by these methods in addition to the official gazette pursuant to provisions of paragraph (3) of that Article), and, when a creditor exists who has stated an objection, documents attesting to the fact that payment has occurred to said creditor, or that reasonable security has been provided, or that reasonable

- property have been placed in trust for the purpose of payment to said creditor, or that no risk exists of harm to said creditor from said absorption-type merger;
- (iii) The registration certificate of the juridical person extinguished in the absorption-type merger; provided, however, that this shall not apply in cases where the principal office of the juridical person extinguished in the absorption-type merger is in the jurisdictional district of the relevant registry office;
 - (iv) Documents attesting to the approval of the absorption-type merger agreement pursuant to provisions of Article 247; and
 - (v) For the juridical person extinguished in the absorption-type merger, documents attesting to public notice and notification pursuant to the provisions of Article 248, paragraph (2) (in cases when public notice is effected by the methods set forth in item (ii) and item (iii) of that paragraph as specified by the provisions of Article 331, paragraph (1), public notice by these methods in addition to the official gazette pursuant to the provisions of paragraph (3) of that Article), and, when a creditor exists who has stated an objection, documents attesting to the fact that payment has occurred to said creditor, or that reasonable security has been provided, or that reasonable property have been placed in trust for the purpose of payment to said creditor, or that no risk exists of harm to said creditor from said absorption-type merger.

(Applications for Registration of Incorporation of a Consolidation-Type Merger)
 Article 323 The documents set forth below shall be attached to applications for registration of incorporation of a consolidation-type merger:

- (i) The consolidation-type merger agreement;
- (ii) The Articles of Incorporation;
- (iii) The documents set forth in Article 318, paragraph (2), item (ii) to item (iv) or Article 319, paragraph (2), item (iv), item (v) and item (vi) (excluding (a));
- (iv) The registration certificates of the juridical persons extinguished in the consolidation-type merger; provided, however, that this shall not apply in cases where the principal office of the juridical person extinguished in the consolidation-type merger is in the jurisdictional district of the relevant registry office;
- (v) Documents attesting to the approval of the absorption-type merger agreement pursuant to provisions of Article 257; and
- (vi) For the juridical persons extinguished in the consolidation-type merger, documents attesting to public notice and notification pursuant to the provisions of Article 258, paragraph (2) (in cases when public notice is effected by the methods set forth in item (ii) and item (iii) of that paragraph

as pursuant to the provisions of Article 331, paragraph (1), public notice by these methods in addition to the official gazette pursuant to the provisions of paragraph (3) of that Article), and, when a creditor exists who has stated an objection, documents attesting to the fact that payment has been made to said creditor, or that reasonable security has been provided, or that reasonable property have been placed in trust for the purpose of payment to said creditor, or that no risk exists of harm to said creditor from said absorption-type merger.

(Application for Registration of Dissolution)

Article 324 (1) Documents shall be attached to applications for registration of dissolution pursuant to the grounds for dissolution prescribed in the articles of incorporation or to the occurrence of the grounds prescribed in Article 202, paragraph (1), item (iii), paragraph (2), or paragraph (3).

(2) Documents shall be attached to applications for registration of dissolution pertaining to an application by a representative liquidator; provided, however, that this shall not apply when said representative liquidator has become a liquidator pursuant to the provisions of Article 209, paragraph (1), item (i) (in the case specified in Article 214, paragraph (4), the person who has become a representative liquidator pursuant to provisions of that paragraph).

(Application for Registration of Continuation)

Article 325 In cases where a judgment upholding a claim related to an action seeking invalidation or rescission of the incorporation of a general incorporated association, etc. becomes final and binding, when the general incorporated association, etc. continues to exist pursuant to provisions of Article 276, paragraph (1) (including the cases where applied *mutatis mutandis* pursuant to paragraph (2) of that Article; the same shall apply hereinafter in this Article), a certified copy of the judgment and documents attesting to the fact that consent was given as set forth in Article 276, paragraph (1), shall be attached.

(Application for Registration of a Liquidator)

Article 326 (1) The articles of incorporation shall be attached to applications for registration of a liquidator.

(2) Documents shall be attached to applications for registration of a liquidator in cases where one of the persons set forth in Article 209, paragraph (1), item (ii) or item (iii) becomes a liquidator, attesting to the relevant person's consent to assume the role.

(3) Documents shall be attached to applications for registration of a liquidator when the liquidator is elected by the court, attesting to that election and to the

matters set forth in Article 310, paragraph (1), item (ii).

(Application for Registration of a Change Concerning the Liquidator)

Article 327 (1) Documents shall be attached to applications for registration of a change to the matters set forth in Article 310, paragraph (1), item (ii) concerning a liquidator elected by the court, attesting to the reason(s) for the change.

(2) Documents shall be attached to applications for registration of a change pursuant to resignation of a liquidator, attesting to the resignation.

(Application for Registration of Completion of Liquidation)

Article 328 Documents shall be attached to applications for registration of completion of liquidation attesting to the approval of the settlement of accounts pursuant to provisions of Article 240, paragraph (3).

(Application for Registration at the Location of a Branch office)

Article 329 Documents attesting to registration at the location of the principal office with respect to matters to be registered at the location of the principal office and the branch office shall be attached to applications for registration at the location of the principal office. In such cases, attachment of other documents shall not be required.

(Mutatis Mutandis Application of the Commercial Registration Act)

Article 330 The provisions of the Commercial Registration Act, Article 1, item (iii), through Article 5, Article 7 through Article 15, Article 17 through Article 27, Article 33, Article 49 through Article 52, Article 72, Article 82, Article 83, and Article 132 through Article 148 shall be applied mutatis mutandis with respect to registration concerning a general incorporated association, etc. In such cases, in these provisions the term "trade name" shall be deemed to be replaced with "name," the term "head office" shall be deemed to be replaced with "principal office," and the term "branch office [shiten]" shall be deemed to be replaced with "branch office [jyutaru jimusho]" (except in sections referring to "head office" in Article 27 and Article 33, paragraph (1) of the Act); the term "sales office" in Article 1, paragraph (3) and Article 24, item (i) of the Act shall be deemed to be replaced with "office"; the term "sales office (in case of a company, the head office; the same shall apply hereinafter in this Article)" in Article 27 and Article 33, paragraph (1) of the Act and the term "sales office" in Article 27, Article 33, paragraph (1), item (iv) and paragraph (2) of the Act shall be deemed to be replaced with "principal office"; the term "sales office" in paragraph (1), item (iv) of the same Article of the Act shall be deemed to be replaced with "principal office"; and the term "the main clause of the Company

Act, Article 472, paragraph (1)" in Article 72 of the Act shall be deemed to be replaced with "the main clause of Article 149, paragraph (1) and the main clause of Article 203, paragraph (1) of the General Incorporated Associations and General Incorporated Foundations Act (Act No. 48, 2006)".

Section 5 Public Notice

(Methods of Public Notice)

Article 331 (1) A general incorporated association, etc. may prescribe any of the methods set forth below as the method of public notice:

- (i) Publication in an official gazette;
- (ii) Publication in a daily newspaper that publishes matters on current affairs;
- (iii) Electronic public notice (refers to measures for making the information to be publicly notified through public notice by electromagnetic means available to the general public as prescribed by the applicable Ordinance of the Ministry of Justice; the same shall apply hereinafter);
- (iv) In addition to the method set forth in the preceding item (iii), any method prescribed by the Ministry of Justice as a measure for making the information to be publicly notified through electronic public notice available to the general public.

(2) In cases where a general incorporated association, etc. prescribes in the articles of incorporation that the method set forth in item (iii) of the preceding paragraph shall be the method of public notice, it shall be sufficient to prescribe that electronic public notice shall be the method of public notice. In such cases, either the method set forth in item (i) or item (ii) of that paragraph may be prescribed as the method of public notice for cases where public notice is unable to be given by way of electronic public notice, due to an accident or other unavoidable circumstances.

(Public Notice Periods, etc. of Electronic Public Notices)

Article 332 In cases where a general incorporated association, etc. gives public notice by way of electronic public notice, it shall give public notice by way of electronic public notice continuously until the days specified in the following items, for the categories of public notice set forth respectively in those items:

- (i) Public notice pursuant to the provisions of Article 128, paragraph (1): the day on which five years have elapsed after the day of the conclusion of the annual general meeting of members set forth in that paragraph;
- (ii) Public notice pursuant to the provisions of Article 128, paragraph (1) applied mutatis mutandis pursuant to Article 199: the day on which five years have elapsed after the day of the conclusion of the annual meeting of the board of councillors set forth in that paragraph;

- (iii) Public notice of the prerogative to state an objection within the period prescribed for public notice: the day on which said period has elapsed; or
- (iv) Public notice pursuant to the provisions of Article 249, paragraph (2): the effective date prior to the change set forth in that paragraph (or, immediately preceding the changed effective date, in cases where the changed effective day comes before the original effective day).

(Application Mutatis Mutandis of the Provisions of the Company Law
Concerning Interruption of Public Notice and Electronic Public Notice
Investigation Body)

Article 333 With respect to cases in which a general incorporated association, etc. gives public notice pursuant to the provisions of this Act or other Acts by way of electronic notice, the provisions of the Company Act, Article 940, paragraph (3), Article 941, Article 946, Article 947, Article 951, paragraph (2), Article 953, and Article 955 shall be applied mutatis mutandis. In such cases, text shall be deemed to be replaced with as follows: in Article 940, paragraph (3) of the Company Act, "Notwithstanding the provisions of the preceding two paragraphs" shall be deemed to be replaced with "Notwithstanding the provisions of the General Incorporated Associations and General Incorporated Foundations Act (Act No. 48, 2006) Article 332"; in Article 941 of the Company Act, "A Company that intends to give public notice under the provisions of this Act or another Act (Article 440, paragraph (1))" shall be deemed to be replaced with "public notice pursuant to the provisions of the General Incorporated Associations and General Incorporated Foundations Act or other Acts (the General Incorporated Associations and General Incorporated Foundations Act, Article 128, paragraph (1) (including the cases where applied mutatis mutandis pursuant to Article 199))"; and in Article 946, paragraph (3) of the Company Act, "trade name" shall be deemed to be replaced with "name".

Chapter VII Penal Provisions

(Crime of an Aggravated Breach of Trust by a Director, etc.)

Article 334 (1) If a person set forth in the following items carries out an act in violation of his/her duty with the intent of benefitting himself/herself or a third party or breaching the trust of a general incorporated association, etc. and causes damage to the property of said general incorporated association, etc., such person shall be punished by not more than seven years of imprisonment with work, a fine or not more than five million yen, or both:

- (i) Members at incorporation;
- (ii) A founder;
- (iii) A director at incorporation (referring to a person becoming a director upon

- incorporation of a general incorporated association, etc.; the same shall apply in Article 342) or an auditor at incorporation (referring to a person becoming an auditor upon incorporation of a general incorporated association, etc.; the same shall apply in said Article);
- (iv) A director, an auditor or a councillor;
 - (v) A person performing the duties of a director, an auditor or a councillor elected by an order of provisional disposition provided for in Article 56 of the Civil Provisional Remedies Act;
 - (vi) A person temporarily carrying out the duties of a director, an auditor, a representative director, or a councillor elected pursuant to the provisions of Article 75, paragraph (2) (including the cases where applied mutatis mutandis pursuant to Article 177), Article 79, paragraph (2) (including the cases where applied mutatis mutandis pursuant to Article 197), or Article 175, paragraph (2);
 - (vii) An employee entrusted with a special matter or a certain type of matter related to the business; or
 - (viii) An inspector.
- (2) A person set forth in the following items who carries out an act in violation of his/her duty with the intent of benefitting himself/herself or a third party or breaching the trust of a juridical person in liquidation and causes damage to the property of said juridical person in liquidation shall be dealt with in the same manner as in the preceding paragraph.
- (i) A liquidator;
 - (ii) A person performing the duties of a liquidator elected by an order of provisional disposition provided for in Article 56 of the Civil Provisional Remedies Act; or
 - (iii) A person temporarily performing the duties of a liquidator or a representative liquidator elected pursuant to the provisions of Article 75, paragraph (2) as applied mutatis mutandis pursuant to Article 210, paragraph (4) or Article 79, paragraph (2) as applied mutatis mutandis pursuant to Article 240, paragraph (7).
- (3) An attempt to commit the crime of the preceding two paragraphs shall be punished.

(Crimes Relating to the Disposition of the Property of Juridical Persons)

Article 335 If a person set forth in the preceding Article, paragraph (1), item (iv) to item (vii) falls under any of the following, said person shall be punished by not more than three years of imprisonment with work, a fine of not more than one million yen, or both:

- (i) If the said person, in violation of the provisions of laws and regulations or the articles of incorporation, has returned funds; or

- (ii) If said person has disposed of the property of a general incorporated association, etc. for a speculative transaction outside the scope of the purpose of the general incorporated association, etc.

(Crimes of False Document Use, etc.)

Article 336 If a person set forth in the following items uses material stating an explanation related to the business or other matters of a general incorporated association when soliciting parties to contribute to a fund, an advertisement for that solicitation, or other documents related to that solicitation containing a false statement about any important matter, or provides for use in the conduct of that solicitation any object containing a false record of any important matter, which record is electromagnetic and prepared in lieu of preparing the aforesaid documents, said person shall be punished by not more than three years of imprisonment with work, a fine of not more than one million yen, or both:

- (i) A person set forth in Article 334, paragraph (1), item (i) or item (iii) to item (vii); or
- (ii) A person entrusted with the solicitation of subscribers to contribute to a fund.

(The Crime of Bribery by a Director, etc.)

Article 337 (1) If a person set forth in the following items accepts a wrongful request, receives financial benefits, or makes a request or promise therefor related to his/her duties, he/she shall be punished by not more than five years of imprisonment with work or a fine of not more than five million yen:

- (i) A person set forth in Article 334, paragraph (1), any of the items or paragraph (2), any of the items; or
 - (ii) An accounting auditor, or a person required temporarily to perform the duties of an accounting auditor elected pursuant to the provisions of Article 75, paragraph (4) (including the cases where applied *mutatis mutandis* pursuant to Article 177).
- (2) A person who provides the benefits set forth in the preceding paragraph, makes application therefor, or makes a promise with respect thereto shall be punished by not more than three years of imprisonment with work or a fine of not more than three million yen.
- (3) Any gains received by the violator of the provisions of paragraph (1) shall be confiscated. If it is impossible to confiscate all or a part of said gains, collection of equivalent value shall be made.

(Violations Committed Outside Japan)

Article 338 (1) Violations of Article 334, Article 335, and the preceding Article,

paragraph (1) shall be applicable to persons committing those violations outside of Japan.

(2) The violation of the preceding Article, paragraph (2) shall conform to the example of the Penal Code (Act No. 45 of 1907), Article 2.

(Application of the Penal Provisions for Juridical Persons)

Article 339 When the party referred to in Article 334, paragraph (1), Article 336, or Article 337, paragraph (1) is a juridical person, those provisions and the provisions of Article 334, paragraph (3) each apply to the director who carried out the act and any other persons who executed the work.

(False Statements or Records Violations, etc.)

Article 340 A person who, in violation of the provisions of the Companies Act, Article 955, paragraph (1) as applied mutatis mutandis pursuant to Article 333, does not enter or record the items provided by the applicable Ordinance of the Ministry of Justice related to electronic public notice investigations provided in said paragraph in the investigation record book or the like provided in said paragraph, or enters or records such item that is false or does not preserve the investigation record book or the like shall be punished by a fine of not more than three hundred thousand yen.

(Dual Liability)

Article 341 If a representative of a juridical person, or an agent, worker or employee of a juridical person or an individual violated the preceding Article in relation to the work of the juridical person or the individual, not only shall the offender shall be punished, but also said juridical person or individual shall be punished by the fine prescribed in said Article.

(Acts to Be Punished by a Non-criminal Fine)

Article 342 If a member at incorporation, a founder, a director at incorporation, an auditor at incorporation, a councillor at incorporation, a director, an auditor, a councillor, an accounting auditor, or an employee or a liquidator who is to perform the duties thereof; a person elected by an order of provisional disposition provided in Article 56 of the Civil Provisional Remedies Act who is to perform the duties of a director, an auditor, a councillor, a liquidator; or a person who is to temporarily perform the duties of a director, auditor, representative director, or councillor provided in Article 334, paragraph (1), item (vi); a person who is to temporarily perform the duties of a liquidator or a representative liquidator provided in said Article, paragraph (2), item (iii); a person who is to temporarily perform the duties of an accounting auditor provided in Article 337, paragraph (1), item (ii); or an inspector falls under any

of the following, said person shall be subject to payment of a non-criminal fine of not more than one million yen; provided, however, that this shall not apply when a punishment is to be imposed for that act:

- (i) If said person fails to make the registrations provided for in the provisions of this Act;
- (ii) If said person fails to provide public notice or provide notice required in the provisions of this Act or provides a wrongful public or other notice;
- (iii) If said person fails to make the disclosures provided for in the provisions of this Act;
- (iv) If said person, in violation of this Act, refuses, without having justifiable grounds, the inspection or copying of a matter recorded in a document or in an electromagnetic record displayed by the methods provided by the applicable Ordinance of the Ministry of Justice; the issuance of a certified copy or an extract of a document; the provision of a matter recorded in an electromagnetic record by electromagnetic means; or the issuance of a document in which that matter is recorded;
- (v) If said person hinders an investigation provided for in the provisions of this Act;
- (vi) If said person makes a false statement to or conceals a fact from a government agency, at a general meeting of members, or from the board of councillors;
- (vii) If said person does not enter or record matters to be entered or recorded, or enters or records a false entry item in the articles of incorporation, the employee record book, the minutes, the inventory of property, the accounting books, the balance sheet, the profit and loss statement, a business report, or an administrative report; an annexed detailed statement, an audit report, an accounting audit report, or a statement of accounts of Article 123, paragraph (2) (including the cases where applied mutatis mutandis pursuant to Article 199) or Article 227, paragraph (1); or a document or an electromagnetic record of Article 246, paragraph (1), Article 250, paragraph (1), Article 253, paragraph (1), Article 256, paragraph (1), or Article 260, paragraph (2);
- (viii) If said person who, in violation of Article 14, paragraph (1), Article 32, paragraph (1), Article 50, paragraph (5), Article 51, paragraph (3), Article 52, paragraph (4), Article 57, paragraph (2) or paragraph (3), Article 58, paragraph (2), Article 97, paragraph (1) (including the cases where applied mutatis mutandis pursuant to Article 197), Article 129, paragraph (1) or paragraph (2) (including the cases where applied mutatis mutandis pursuant to Article 199), Article 156, paragraph (1), Article 193, paragraph (2) or paragraph (3), Article 194, paragraph (2), Article 223, paragraph (1), Article 229, paragraph (1), Article 246, paragraph (1), Article 250, paragraph (1), Article 253, paragraph (2), Article 256, paragraph (1), or Article 260,

- paragraph (2), has not kept the books, documents or electromagnetic records;
- (ix) If said person, in violation of the provisions of Article 36, paragraph (1) or Article 179, paragraph (1), or a court order provided for in the provisions of Article 47, paragraph (1), item (i), Article 87, paragraph (1), item (i) (including the cases where applied mutatis mutandis pursuant to Article 197), or Article 188, paragraph (1), item (i), does not convene a general meeting of members or a board of councilors meeting;
 - (x) If there is a request provided for in the provisions of Article 43 or Article 184, and said person does not make the matter pertaining to that request an objective of a general meeting of members or a board of councilors meeting;
 - (xi) If said person does not explain a matter requested by a member or a councillor at a general meeting of members or a board of councillors meeting, without justifiable grounds;
 - (xii) If there is a request provided for in the provisions of Article 72, paragraph (2) or Article 73, paragraph (2) (including the cases where these provisions are applied mutatis mutandis pursuant to Article 177) and said person does not make the matter pertaining to the request an objective of a general meeting of members or a board of councillors meeting, or does not submit a proposal pertaining to that request at a general meeting of members or to the board of councillors;
 - (xiii) If the number of directors, auditors, councillors, or accounting auditors provided for in this Act or the articles of incorporation is lacking, and said person fails to carry out procedures for the election thereof (including the election of a person to temporarily carry out the duties of an accounting auditor);
 - (xiv) If said person who, in violation of Article 92, paragraph (2) (including the cases where applied mutatis mutandis pursuant to Article 97 and Article 220, paragraph (10)), has not reported or has made a false report to the council or the board of liquidators;
 - (xv) If said person who, in violation of Article 142, paragraph (1) has obtained a credit pertaining to the return of a fund making himself/herself the debtor, or who, in violation of said Article, paragraph (2), has failed to transfer said credit to another at an appropriate time;
 - (xvi) If said person, in violation of Article 144, paragraph (1), does not allocate a substitute fund or, in violation of the same Article, paragraph (2) breaks into a substitute fund;
 - (xvii) If said person, in violation of Article 215, paragraph (1), has failed to petition for commencement of bankruptcy proceedings;
 - (xviii) If said person unreasonably sets the period of Article 233, paragraph (1) with the object of delaying the conclusion of liquidation;
 - (xix) If said person, in violation of Article 234, paragraph (1), has performed an

obligation;

- (xx) If said person who, in violation of Article 237, has delivered the property of a juridical person in liquidation;
- (xxi) If said person, in violation of Article 248, paragraph (2) or paragraph (5), Article 252, paragraph (2) or paragraph (5), or Article 258, paragraph (2) or paragraph (5), has carried out an absorption-type merger or a consolidation-type merger; or
- (xxii) If said person, in violation of the provisions of the Companies Act, Article 941 as applied mutatis mutandis pursuant to Article 333, has not requested an investigation provided for in the provisions of said Article 941.

Article 343 A person who falls under any of the following shall be assessed a non-criminal fine of not more than one million yen.

- (i) A person who, in violation of the provisions of the Companies Act, Article 946, paragraph (3) as applied mutatis mutandis pursuant to Article 333, has not made a report or has made a false report; or
- (ii) A person who refuses without justifiable grounds a request set forth in the provisions of the Companies Act, Article 951, paragraph (2), or Article 955, paragraph (2), any of the items applied mutatis mutandis pursuant to Article 333.

Article 344 A party who falls under any of the following shall be assessed a non-criminal fine of not more than two hundred thousand yen.

- (i) A party who, in violation of Article 5, paragraph (2), has used words in its name that are likely to be mistaken as indicating a general incorporated foundation;
- (ii) A party who, in violation of Article 5, paragraph (3), has used words in its name that are likely to be mistaken as indicating a general incorporated association;
- (iii) A party who, in violation of Article 6, has used words in its name or trade name that are likely to be mistaken as indicating a general incorporated association or a general incorporated foundation; or
- (iv) A party who, in violation of Article 7, paragraph (1) has used words in its name or trade name that are likely to be mistaken as indicating a general incorporated association or a general incorporated foundation.