

Limited Partnership Act for Investment

(Act No. 90 of June 3, 1998)

Chapter I General Provisions

(Purpose)

Article 1 The purpose of this Act is to promote the smooth provision of funds to enterprises and to promote their sound growth and development by establishing a system of limited partnership agreements for conducting investment in enterprises which provide for separate categories of unlimited liability partners having unlimited liability and limited liability partners having limited liability, and thereby contributing to the economic vitality of our country.

(Definitions)

Article 2 (1) The term "enterprise" as used in this Act means a juridical person (excluding foreign corporations) or an individual carrying on business.

(2) The term "investment limited partnership" as used in this Act means a partnership that is formed from unlimited liability partners and limited liability partners pursuant to an investment limited partnership limited partnership agreement for investment as set forth in paragraph 1 of the following Article.

(Investment Limited Partnership)

Article 3 (1) An investment limited partnership (hereinafter referred to as "partnership") becomes effective upon agreement by the parties to make contributions and jointly to carry out any or all of the following business activities:

- (i) acquisition and holding of shares issued by stock companies (kabushiki kaisha) upon their establishment and acquisition and holding of equity shares issued by a limited liability company (yugen kaisha) or enterprise cooperatives (kigyo kumiai) upon their establishment;
- (ii) acquisition and holding of shares, share options (meaning share options prescribed in Article 280-19 (1) of the Commercial Code (Act no. 48 of 1899); hereinafter the same applies in this paragraph), or bond with share options, etc. (meaning bond with share options as set forth in Article 341-2 (1) of the Commercial Code and other bond instruments specified by Cabinet Order as being equivalent to bond with share options; hereinafter the same applies in this paragraph) issued by joint stock companies and acquisition and holding

- of equity shares of a limited liability company or enterprise cooperatives;
- (iii) acquisition and holding of those securities prescribed in Article 2 (1) of the Securities and Exchange Act (Act no. 25 of 1948) (excluding shares, share options and bond with share options, etc., but including rights that are to be represented by securities listed in items (i) to (v-iii) and (vii) to (x) of the same paragraph (excluding bond with share options, etc.) and are deemed to be securities by the provisions set forth in Article 2 (2) of the same Act) and which are bonds (excluding bond with share options, etc.) or other fund raising securities stipulated as such by Cabinet Order as contributing to the procuring of capital by an enterprise (such bonds and other securities hereinafter, "designated securities")- but in the case of "specified designated securities" (meaning such designated securities issued by an enterprise other than (x) a stock company of which issued shares, share options, and bond with share options, etc. are held by an investment limited partnership (excluding (ix), hereinafter referred to as "partnership") or (y) a limited liability company or enterprise cooperatives of which equity shares are held by a partnership, (such stock company, limited liability company or corporate partnership hereinafter collectively referred to as "specified company, etc.") pursuant to preceding items (i) and (ii)), limited to cases of acquisition or holding where one of the unlimited liability partners has promised that, if the period of holding by the partnership of the relevant designated securities that are specified designated securities exceeds the period specified by Cabinet Order, the unlimited liability partner will purchase the relevant specified designated securities, on the day of expiry of such period.
- (iv) acquisition and holding of monetary claims against an enterprise (in the case of monetary claims against an enterprise other than a specified company, etc. (hereinafter in this item referred to as "specified monetary claims"), limited to cases of acquisition and holding where one or more unlimited liability partners has promised that, if the period of holding of the relevant monetary claims which are specified monetary claims exceeds the period specified by Cabinet Order, the unlimited liability partner will purchase the relevant specified monetary claims on the day of expiry of such period);
- (v) new loans to an Enterprise;
- (vi) acquisition and holding of industrial property or copyrights (including granting a license to use the rights relating thereto) owned by an enterprise;
- (vii) acquisition and holding of equity investment in a silent partnership (tokutei kumiai) agreement (meaning a silent partnership agreement under Article 535 of the Commercial Code; the same applies hereinafter) of which a party is a specified small and medium-sized enterprise, etc. (refers to small and medium enterprises (meaning persons listed in each item of Article 2 (1)

- of the Small and Medium-sized Enterprise Basic Act (Act No. 154 of 1963) and other persons to whom the provision of capital has been specified by Cabinet Order as being especially important; the same applies hereinafter) but is not an investment manager (toshi eigyosha) (a person carrying on the investment business; the same applies in (ix)), or trust beneficial interests (limited to rights to receive distributions of earnings or profit arising from business carried on by a specified small and medium-sized enterprise, etc.);
- (viii) provision of management-related advice or technical guidance to an enterprise of which the partnership owns shares, equity interest, share options, bond with share options, etc., designated securities, monetary claims, industrial property, copyrights or trust beneficial interests pursuant to any of the preceding items;
- (ix) investment in investment partnership, etc. (meaning an investment limited partnership, or a partnership formed by a partnership agreement as prescribed in Article 667 (1) of the Civil Code (Act No. 89 of 1896) by virtue of promises to carry on the investment business, or similar organizations located in a foreign country; the same applies hereinafter) and investment based on anonymous partnership agreements having an investment manager as a party (hereinafter collectively referred to in this item as "capital investment, etc. in investment partnership") where the ratio of the amount of said capital investment, etc. in investment partnership in any one investment partnership, etc. or investment manager to the total amount of capital contribution by all the partners in the investment limited partnership (if the partners' capital investment, commitment (the maximum amount that each partner has promised to invest; the same applies in this item) is stipulated in the partnership agreement, the total of such amounts) does not exceed the ratio specified by Cabinet Order (excluding capital investment, etc. in investment partnership described in (a) and (b) (referred to as "specified capital investment, etc. in investment partnership" in item (xi)-b)):
- (a) Contributions in an investment partnership, etc., where an unlimited liability partner of the investment limited partnership (if there are more than one unlimited liability partners, any one of them; the same applies in (b)) executes the business or in other investment partnership, etc., specified by Cabinet Order as being one which is in the position (relationship) of having effective control over the execution of the business of the investment limited partnership
- (b) Contributions based on a silent partnership agreement having as a party an unlimited liability partner of the investment limited partnership or other person as may be specified by Cabinet Order.
- (x) business activities ancillary to the business described in the preceding items as specified by Cabinet Order;

- (xi) the business activities listed below that are carried out to the extent that, pursuant to the provisions of Cabinet Order, there is no hindrance to the conduct of the business activities set forth in any of the preceding items:
 - (a) Acquisition and holding of shares, share options, bond with share options, etc., designated securities issued by a foreign corporation, or, equity shares in a foreign corporation, or instruments similar to the same.
 - (b) Specified Contributions in Investment Partnership; and
- (xii) investment of surplus funds in the course of business to be made in accordance with the manner specified by Cabinet Order in order to accomplish the purposes of the partnership agreement.
- (2) The written contract of the partnership agreement (hereinafter referred to as "partnership contract") must stipulate the matters listed below and be signed by or affix the name and seal of each of the partners:
 - (i) the businesses of the partnership;
 - (ii) the name of the partnership;
 - (iii) the location of the office of the partnership;
 - (iv) the names and addresses of the partners and the classification of unlimited liability partner or limited liability partner for each of the partners;
 - (v) the amount of one unit of contributions;
 - (vi) the date on which the partnership Agreement takes effect; and
 - (vii) the duration of the existence of the partnership.
- (3) It is sufficient that a notice or announcement to be made to a partnership is addressed to the location of an office of the partnership or to the address of an unlimited liability partner.
- (4) The total number of partners must not exceed the number to be specified by Cabinet Order.

(Registration)

- Article 4 (1) A matter for which registration is required pursuant to the provisions of this Act may not be duly asserted against a third party in good faith until after the registration of such matter has been completed.
- (2) A person who through intention or negligence has made a false registration on a matter for which registration is required pursuant to the provisions of this Act may not duly assert the falsity of said matter against a third party acting in good faith.

(Name)

- Article 5 (1) A Partnership must include in its name the phrase "investment limited partnership."
- (2) An entity which is not a partnership may not include in its name the phrase "investment limited partnership."

- (3) The provisions of Articles 19 through 21 (Trade Name) of the Commercial Code apply mutatis mutandis with respect to the name of a partnership.
- (4) In the event that a limited liability partner permits its family, personal or business name being included in the name of the partnership, the limited partner has the same responsibilities as the unlimited liability partners for any debts of the partnership that are incurred upon or after such use of the limited partner's surname or name in the name of the partnership.

Chapter II Rights and Obligations of the Partners

(Contributions by Partners)

- Article 6 (1) Each of the partners must own at least one unit of contributions.
- (2) A partner's contributions in the partnership may be made only in the form of cash or other properties.
 - (3) The cash value of one unit of contributions must be uniform.

(Qualifications of Partners of Specified Partnerships)

- Article 6-2 (1) Persons qualified to be limited liability partners of a specified partnership (meaning a partnership other than a partnership of which the partnership agreement includes a commitment to engage wholly or partly in the business of acquiring and holding unlisted shares (refers to shares that are neither listed on a share exchange prescribed in Article 2 (16) of the Securities and Exchange Act nor registered on the registry of over-the-counter traded securities prescribed in Article 75 (1) of said Act) issued by a stock company that corresponds to a specified small and medium-sized enterprise, etc.) or other business specified by Cabinet Order (referred to hereinafter as "the business of acquiring shares, etc. of unlisted small or medium sized enterprises"; the same applies hereinafter) are to be qualified institutional investors as defined in Article 2 (3), item (i) of said Act or other persons specified by Cabinet Order.
- (2) Where a partnership other than a specified partnership becomes a specified partnership by reason of amendment of its partnership agreement, any limited liability partner of such partnership who was not qualified to be such a partner prescribed in the preceding paragraph thereupon loses its qualification as a partner.

(Manner of Management of the Partnership)

- Article 7 (1) The unlimited liability partners manage the operations of a partnership.
- (2) In the case that there are two or more unlimited liability partners, the management of the partnership's businesses is determined by a majority of the

unlimited liability partners.

- (3) Each unlimited liability partner may execute routine business of the partnership in its sole discretion notwithstanding the provisions of the preceding paragraph; provided, however, that this does not apply where any unlimited liability partner objects to such act of the unlimited liability partner before its completion.
- (4) In the event that the unlimited liability partners carry out acts other than the business activities listed in Article 3 (1), the partners may not ratify such act. The same applies in the event that any persons other than the unlimited liability partners conduct a business other than those listed in the same paragraph.
- (5) In the event that the unlimited liability partners of a partnership (excluding specified partnerships; hereinafter the same applies in this paragraph) conduct business activities other than the business of acquiring shares, etc. of unlisted small or medium sized enterprises, the partners may not ratify such act. The same applies in the event that any persons other than the unlimited liability partners conduct such business.

(Maintenance and Inspection of Financial Statements)

- Article 8 (1) The unlimited liability partners must prepare within three months after the end of each business year and maintain at the principal office for a period of five years thereafter the balance sheet, profit and loss statement and business report, along with their detailed attachments (referred to as "financial statements, etc." in paragraph 3) for the business year concerned.
- (2) In the case referred to in the preceding paragraph, the unlimited liability partners must also maintain the partnership contract and the written opinion (with respect to the business report and its annexed detailed statement only the portion relating to accounting; hereinafter the same applies in the following paragraph) prepared by either a certified public accountant (including a foreign certified public accountant) or an audit corporation.
 - (3) A partner or a creditor of the partnership may inspect or request a copy of the financial statements, etc., and the partnership contract and written opinion described in the preceding paragraph at any time during normal business hours.

(Responsibility of Partners)

- Article 9 (1) In the case where there are two or more unlimited liability partners each of the unlimited liability partners is jointly and severally liable for the obligations of the Partnership
- (2) A limited liability partner is liable for the partnership's obligations only to the extent of the market value of its contributions.

(3) Notwithstanding the provision of the preceding paragraph, in the case that a limited partner has misled a third party into believing that it is a partner having the authority to execute the business of the partnership, the limited liability partner has the same responsibilities as the unlimited liability partners vis-a-vis such third party who entered into a transaction with the partnership on the basis of such misunderstanding.

(Restrictions on Distribution of Partnership Assets)

Article 10 (1) The partnership property may not be distributed in an amount exceeding the amount of the partnership's net asset value as shown on the balance sheet.

(2) If a limited liability partner receives a distribution in violation of the preceding paragraph the limited partner is liable for the obligations of the Partnership to the extent of the amount so received; provided, however, that this does not apply after five years have elapsed since the limited liability partner received the distribution.

Chapter III Withdrawal by Partners

(Voluntary Withdrawal)

Article 11 No partner may withdraw from a Partnership except in unavoidable circumstances.

(Involuntary Withdrawal)

Article 12 Beyond as provided for in the preceding Article, a partner withdraws from the partnership based on the following grounds:

- (i) loss of qualification to be a partner;
- (ii) death;
- (iii) bankruptcy;
- (iv) order for ruling for commencement of guardianship; and
- (v) expulsion.

Chapter IV Dissolution and Liquidation of a Partnership

(Events of Dissolution)

Article 13 A Partnership is dissolved if any of the following occur; provided, however, that with respect to the event listed in item (2) this does not apply, if new unlimited liability partners or limited liability partners are admitted by unanimous agreement of the remaining partners within two weeks from the occurrence of such event and if the registration of dissolution has not yet been made:

- (i) achievement of its business purposes or if such achievement becomes impossible;
- (ii) withdrawal by an unlimited liability partner or by all of the limited liability partners;
- (iii) the expiration of the duration of the Partnership; or
- (iv) if any event other than those listed in the preceding three items is stipulated to be an event of dissolution in the partnership agreement, the occurrence of such event.

(Liquidators)

Article 14 In the event that a partnership is dissolved, the unlimited liability partners become the liquidators; provided, however, that this does not apply if other persons are elected as liquidators by a majority of all partners.

(Liquidators' Manner of Execution of Business)

Article 15 The provisions of Article 15 Paragraphs 2 and 3 of Article 7 apply mutatis mutandis when there are two liquidators or more.

Chapter V Mutatis Mutandis Application of the Civil Code

(Mutatis Mutandis Application of the Civil Code)

Article 16 Articles 668 (joint ownership of partnership assets), 669 (responsibility of persons delaying in making cash contribution), 671 through 674 (mutatis mutandis application of provisions for entrustment, resignation or dismissal of an executor of business, partners' right of inspection of the state of business and assets and proportion in respect of distribution of profits and losses to partners), 676 (restriction on disposal of equity interest by partners and prohibition of split of partnership assets), 677 (prohibition of set-off by debtors to the partnership), 680 (expulsion), 681 (return of equity interest to withdrawing partners), 683 (request for dissolution by partners), 684 (non-retroactiveness of effect of cancellation), 687 (resignation or removal of partner liquidators) and 688 (authority of liquidators and method of distribution of residual assets) of the Civil Code (Act No. 89 of 1896) apply mutatis mutandis with respect to a Partnership.

Chapter VI Registration

(Registration of a Partnership Agreement taking effect)

Article 17 When a Partnership Agreement takes effect, the following matters must be registered within two weeks at the location of the principal office and within three weeks at the secondary offices:

- (i) the matters listed in Article 3 paragraph 2 items (1) (2) (6) and (7);
- (ii) the names and addresses of the unlimited liability partners;
- (iii) the total number of partners;
- (iv) the offices of the Partnership; and
- (v) if any event other than those listed in Article 13 items (1) through (3) is stipulated as a event of dissolution in the Partnership Agreement such event.

(Registration of Establishment of a Secondary Office)

Article 18 (1) In the event that a secondary office is established after the registration of the Partnership Agreement taking effect, such establishment of a secondary office must be registered at the location of the principal office within two weeks and the matters listed in the preceding Article must be registered at the location of such secondary office within three weeks and the establishment of such secondary office must be registered at the locations of other secondary offices within the same period.

- (2) If a secondary office is established in the jurisdictional district of the registry office that is in charge of the location of the principal office, or any secondary office, it is sufficient to register the fact that such new secondary office has been established.

(Registration of Office Relocation)

Article 19 (1) If a Partnership relocates its principal office, the relocation must be registered within two weeks at the district in which the former office was located and the matters listed in Article 17 must be registered at the district in which the new office is located. If a Partnership relocates a secondary office, the relocation must be registered within three weeks at the district in which the former office was located and the matters listed in the same Article must be registered within four weeks at the district in which the new office is located.

- (2) If the principal office or a secondary office is only being relocated within the jurisdictional district of the same registry office, it is sufficient to register such relocation.

(Registration of Changes)

Article 20 If a change in any of the matters listed in Article 17 occurs, such change must be registered within two weeks at the location of the principal office and within three weeks at the locations of the secondary offices.

(Registration of Suspension of Business Execution by Unlimited Liability Partner)

Article 21 If a provisional disposition is ordered suspending the execution of the

business by an unlimited liability partner or appointing a person to execute business on its behalf or that such provisional disposition is changed or rescinded, said fact must be registered at the districts of the principal office and the secondary offices.

(Registration of Dissolution)

Article 22 If a Partnership is dissolved, the registration of dissolution must be made within two weeks at the location of the principal office and within three weeks at the locations of the secondary offices.

(Registration of Liquidators)

Article 23 (1) If the unlimited liability partners become the liquidators, the names and addresses of the liquidators must be registered within two weeks from the date of dissolution at the location of the principal office and within three weeks at the locations of the secondary offices.

(2) If a liquidator is elected, the name and address of the liquidator must be registered within two weeks at the location of the principal office and within three weeks at the locations of the secondary offices.

(3) The provisions of Article 20 apply mutatis mutandis with respect to the registration set forth in the preceding two paragraphs and the provisions of Article 21 apply mutatis mutandis with respect to liquidators.

(Registration of Completion of Liquidation)

Article 24 Upon completion of the liquidation of a Partnership, the completion of the liquidation of the Partnership must be registered within two weeks from the date of completion of the liquidation at the location of the principal office and within three weeks at the locations of the secondary offices.

(Registry Office with Jurisdiction and Registry)

Article 25 (1) The Legal Affairs Bureau or local Legal Affairs Bureau or a branch or sub-office thereof in the location where the office of a partnership is located take charge of the administrative processes related to the registration of the partnership agreement as the registry office with jurisdiction.

(2) A Registry of the investment limited partnership is maintained in each registry office.

(Application for Registration)

Article 26 (1) The registrations pursuant to the provisions of Articles 17 through 20 are made upon application by an unlimited liability partner and those pursuant to the provisions of Articles 22 through 24 are made upon application by a liquidator.

(2) In the event that the unlimited liability partner or liquidator who applies for registration pursuant to the preceding paragraph is a juridical person, a certificate evidencing the qualification to represent such juridical person must be attached to the written application.

(Attachment to Registration of Partnership Agreement Taking Effect)

Article 27 The Partnership Contract must be attached to the application for registration of the occurring of effect of the partnership agreement.

(Attachment to Registration of Changes)

Article 28 In an application for registration of an establishment or relocation of office or registration of any change in the matters listed in Article 17, a written document evidencing the establishment or relocation of the office or the change in the registered information must be attached to the application.

(Attachment to Registration of Dissolution)

Article 29 In an application for registration of dissolution, a written document evidencing the occurrence of an event of dissolution must be attached to the application.

(Attachment to Registration of Liquidators)

Article 30 In an application for registration of a liquidator who has been elected by a majority of all partners, a written document evidencing the agreement by a majority of all partners and a written document evidencing the acceptance of office by such person, must be attached to the application.

(Attachment to Registration of Change in the Registration of Liquidators)

Article 31 (1) In an application for registration of change in the registration by reason of resignation of a liquidator, a written document evidencing such resignation must be attached to the application.

(2) In an application for registration of change in the name or address of a liquidator, a written document evidencing such change in the registered information must be attached to the application.

(Attachment to Registration of Completion of Liquidation)

Article 32 In an application for registration of completion of liquidation, a written document executed by all partners evidencing that the disposal of the partnership property has been completed must be attached to the application.

(Mutatis Mutandis Application of the Commercial Registration Act)

Article 33 Articles 2 through 5 (Registry Office and Registrar), 7 through 18, 19-

2 through 23, 24 (excluding item (xvi)), 26 (General Rules for Registry, etc. and Registration Procedure), 27 (Prohibition on Use of Similar Trade Names), 56 through 59, 61(1) (Registration of Incorporated Unlimited Liability Partnership (gomei gaisha)) and 107 through 127 (Revision or Cancellation of Registration, Special Rules on Registration by Electronic Data Processing System and Miscellaneous Provisions) of the Commercial Registration Act (Act No. 125 of 1963) and Articles 56 (Entrustment of Registration of Provisional Dispositions Concerning Suspension of Business Execution by a Representative of a Juridical person, etc.) of the Civil Provisional Remedies Act (Act No 91 of 1989) apply mutatis mutandis with respect to the registration of a partnership. In application of the foregoing provisions of the Commercial Registration Act, the phrase "Article 64 (1) of the Commercial Code" in Article 56 (3) of the Commercial Registration Act is replaced with "Article 17 of the Investment Limited Partnership Act (Act No 90 of 1998)" and the phrases "a representative of the juridical person or other executives of the juridical person" and "the head office or principal office and branches or secondary offices of the juridical person" in Article 56 of the Civil Preservation Act are respectively replaced with "an unlimited liability partner or a liquidator of the investment limited partnership" and "the principal office and secondary offices of the investment limited partnership".

Chapter VII Penal Provisions

Article 34 In the following cases unlimited liability partners or liquidators are punished by a civil fine of no more than 1,000,000 yen:

- (i) if they fail to perform the registrations required by this Act; or
- (ii) if they fail to maintain the required documents, fail to record the required information in these documents or record false information or refuse to allow inspection or copying of these documents without legitimate grounds, in violation of the provisions of Article 8.

Article 35 Any person who uses a registered name of a partnership or a similar name for the purpose of unfair competition is punished by a fine of no more than 200,000 yen. The same also applies to persons who violate the provisions of Article 21 (1) of the Commercial Code, as applied mutatis mutandis pursuant to Article 5 (3) of this Act.