

Insurance Business Act

(Act No. 105 of June 7, 1995)

Part I General Provisions (Articles 1 through 2-2)

Part II Insurance Companies

Chapter I General Provisions (Articles 3 through 8-2)

Chapter II Stock Companies and Mutual Companies That Conduct Insurance Business

Section 1 Special Provisions on Stock Companies That Conduct Insurance Business (Articles 9 through 17-7)

Section 2 Mutual Companies

Subsection 1 General Provisions (Articles 18 through 21)

Subsection 2 Incorporation (Articles 22 through 30-15)

Subsection 3 Rights and Obligations of Members (Articles 31 through 36)

Subsection 4 Administrative Organs

Division 1 General Meeting (Articles 37 through 41)

Division 2 Member Representatives Meeting (Articles 42 through 50)

Division 3 Establishment of Administrative Organs Other than General Meetings and Member Representatives Meeting (Articles 51 through 53-12)

Division 4 Directors and Board of Directors (Articles 53-13 through 53-16)

Division 5 Accounting Advisors (Article 53-17)

Division 6 Company Auditors and Board of Company Auditors (Articles 53-18 through 53-21)

Division 7 Accounting Auditors (Article 53-22 and Article 53-23)

Division 8 Audit and Supervisory Committee (Article 53-23-2 and Article 53-23-3)

Division 9 Nominating Committee and Executive Officer (Articles 53-24 through Article 53-32)

Division 10 Liability for Damages of Officers (Articles 53-33 through Article 53-37)

Subsection 5 Mutual Companies' Accounting

Division 1 Accounting Principles (Article 54)

Division 2 Financial Statements (Articles 54-2 through 54-10)

Division 3 Payment of Interest from Fund, Redemption of Fund, and Distributions of Surplus (Articles 55 through 55-4)

Division 4 Reserves for Redemption of Fund and Loss Reserves (Articles 56 through Article 59)

- Subsection 6 Solicitation of Additional Fund (Article 60 and Article 60-2)
- Subsection 7 Solicitation of Subscribers for Corporate Bonds Issued by Mutual Companies (Articles 61 through 61-10)
- Subsection 8 Amendments to Articles of Incorporation (Article 62)
- Subsection 9 Transfer of Business (Article 62-2)
- Subsection 10 Miscellaneous Provisions (Articles 63 through 67-2)
- Section 3 Entity Conversion
 - Subsection 1 Entity Conversion from Stock Companies to Mutual Companies (Articles 68 through 84-2)
 - Subsection 2 Entity Conversion from Mutual Companies to Stock Companies (Articles 85 through 96-16)
- Chapter III Business (Articles 97 through 105-3)
- Chapter IV Subsidiary Companies (Articles 106 through 108)
- Chapter V Accounting (Articles 109 through 122-2)
- Chapter VI Supervision (Articles 123 through 134)
- Chapter VII Transfer of Insurance Contracts, Transfer or Acquisition of Business, and Entrustment of Business and Property Administration
 - Section 1 Transfer of Insurance Contracts (Articles 135 through 141)
 - Section 2 Transfer or Acquisition of Business (Article 142 and Article 143)
 - Section 3 Entrustment of Business and Property Administration (Articles 144 through Article 151)
- Chapter VIII Dissolution, Mergers, Company Splits, and Liquidation
 - Section 1 Dissolution (Articles 152 through 158)
 - Section 2 Mergers
 - Subsection 1 General Provisions (Article 159)
 - Subsection 2 Merger Agreements (Articles 160 through 165)
 - Subsection 3 Merger Procedures
 - Division 1 Procedures for Dissolved Stock Companies (Articles 165-2 through 165-8)
 - Division 2 Procedures for Stock Companies Surviving an Absorption-Type Merger (Articles 165-9 through 165-13)
 - Division 3 Procedures for Stock Companies Incorporated by Consolidation-Type Merger (Article 165-14)
 - Division 4 Procedures for Dissolved Mutual Companies (Articles 165-15 through 165-18)
 - Division 5 Procedure for Mutual Companies Surviving an Absorption-Type Merger (Articles 165-19 through 165-21)
 - Division 6 Procedures for Mutual Companies Incorporated by a Consolidation-Type Merger (Article 165-22)
 - Division 7 Special Provisions on Stock Company Mergers (Article 165-23 and Article 165-24)

- Division 8 Public Notice after Mergers (Article 166)
 - Subsection 4 Effectuation of Mergers (Articles 167 through 173)
 - Section 3 Company Splits (Articles 173-2 through 173-8)
 - Section 4 Liquidation (Articles 174 through 184)
- Chapter IX Foreign Insurers
 - Section 1 General Provisions (Articles 185 through 193)
 - Section 2 Business and Accounting (Articles 193-2 through 199)
 - Section 3 Supervision (Articles 200 through 207)
 - Section 4 Discontinuation of Insurance Business (Articles 208 through 213)
 - Section 5 Miscellaneous Provisions (Articles 214 through 218)
 - Section 6 Special Provisions on Specified Corporations (Articles 219 through 240)
- Chapter X Special Measures for the Protection of Policyholders
 - Section 1 Changes to Contract Terms (Articles 240-2 through 240-13)
 - Section 2 Dispositions by the Prime Minister Related to Business and Property Administration
 - Subsection 1 Suspension of Business, Orders for Merger Discussions, and Business and Property Administration (Article 241)
 - Subsection 2 Business and Property Administration (Articles 242 through 249-3)
 - Subsection 3 Changes to Contract Terms in Mergers (Articles 250 through 255-5)
 - Section 3 Order to Implement Procedures for Mergers (Articles 256 through 258)
 - Section 4 Financial Assistance Provided by Policyholders Protection Corporations
 - Subsection 1 Policyholders Protection Corporation
 - Division 1 General Provisions (Articles 259 through 265)
 - Division 2 Members (Articles 265-2 through 265-5)
 - Division 3 Establishment (Articles 265-6 through 265-11)
 - Division 4 Management (Articles 265-12 through 265-22)
 - Division 5 General Council Meetings (Articles 265-23 through 265-27-5)
 - Division 6 Business (Articles 265-28 through 265-31)
 - Division 7 Contributions (Articles 265-32 through 265-35)
 - Division 8 Finances and Accounting (Articles 265-36 through 265-44)
 - Division 9 Supervision (Articles 265-45 through 265-47)
 - Division 10 Miscellaneous Provisions (Article 265-48)
 - Subsection 2 Financial Assistance
 - Division 1 Requests for Financial Assistance (Articles 266 through 270-3)
 - Division 2 Succession of Insurance Contracts (Articles 270-3-2 through 270-3-14)

Division 3 Underwriting of Insurance Contracts (Articles 270-4 through 270-6-5)

Division 4 Financial Assistance for the Payment of Covered Insurance Proceeds (Article 270-6-6 and Article 270-6-7)

Subsection 3 Purchasing Insurance Claims (Articles 270-6-8 through 270-6-10)

Subsection 4 Miscellaneous Provisions (Articles 270-7 through 270-9)

Section 5 Miscellaneous Provisions (Articles 271 through 271-2-3)

Chapter XI Shareholders

Section 1 General Provisions (Articles 271-3 through 271-9)

Section 2 Special Provisions on Major Shareholders of Insurance Companies

Subsection 1 General Provisions (Article 271-10 and Article 271-11)

Subsection 2 Supervision (Articles 271-12 through 271-16)

Subsection 3 Miscellaneous Provisions (Article 271-17)

Section 3 Special Provisions on Insurance Holding Companies

Subsection 1 General Provisions (Articles 271-18 through 271-20)

Subsection 2 Business and Subsidiary Companies (Articles 271-21 through 271-22)

Subsection 3 Accounting (Articles 271-23 through 271-26)

Subsection 4 Supervision (Article 271-27 - Article 271-30)

Subsection 5 Miscellaneous Provisions (Article 271-31)

Section 4 Miscellaneous Provisions (Article 271-32 and Article 271-33)

Chapter XII Special Provisions on Small Amount and Short Term Insurers

Section 1 General Provisions (Articles 272 through 272-10)

Section 2 Business (Articles 272-11 through 272-14)

Section 3 Accounting (Articles 272-15 through 272-18)

Section 4 Supervision (Articles 272-19 through 272-28)

Section 5 Transfers of Insurance Contracts (Article 272-29 and Article 272-30)

Section 6 Shareholders

Subsection 1 Major Shareholders of Small Amount and Short Term Insurers (Articles 272-31 through 272-34)

Subsection 2 Small Amount and Short Term Insurance Holding Companies (Articles 272-35 through 272-40)

Subsection 3 Miscellaneous Provisions (Articles 272-41 through 272-43)

Chapter XIII Miscellaneous Provisions (Article 273 and Article 274)

Part III Insurance Solicitation

Chapter I General Provisions (Article 275)

Chapter II Insurance Agents and Affiliated Insurance Companies

Section 1 Insurance Agents (Articles 276 through 282)

Section 2 Affiliated Insurance Companies (Articles 283 through 285)

Chapter III Insurance Brokers (Articles 286 through 293)
Chapter IV Business (Articles 294 through 301-2)
Chapter V Supervision (Articles 302 through 308)
Part IV Designated Dispute Resolution Organizations
Chapter I General Provisions (Articles 308-2 through 308-4)
Chapter II Business (Articles 308-5 through 308-17)
Chapter III Supervision (Articles 308-18 through 308-24)
Part V Miscellaneous Provisions (Articles 309 through 314)
Part VI Penal Provisions (Articles 315 through 339)
Part VII Special Provisions on Procedures Concerning Confiscation (Articles 340 through 342)
Supplementary Provisions

Part I General Provisions

(Purpose)

Article 1 In view of the public nature of insurance business, the purpose of this Act is to protect policyholders, etc. by ensuring the sound and appropriate operation of business by persons conducting insurance business and by ensuring fairness in insurance solicitation, thereby contributing to the stability of the lives of of the people and the sound development of the national economy.

(Definitions)

Article 2 (1) The term "insurance business" as used in this Act means the business (except business listed in the following items) of underwriting insurance for which premiums are received in exchange for an agreement to pay a fixed amount of insurance proceeds in connection with the life or death of an individual, insurance for which premiums are received in exchange for an agreement to compensate for damage caused by specific and accidental events, and other insurance listed in the items of Article 3, paragraph (4) or the items of Article 3, paragraph (5):

(i) those provided in other laws;

(ii) the following business:

(a) those which a local government enters into with its residents as the other parties;

(b) those which a company, etc. (meaning a company (including a foreign company; hereinafter the same applies in this item) or any other business operator (excluding that specified by Cabinet Order)) or an organization comprised of officers or employees (including former officers or employees; hereinafter the same applies in this item) enters into with its officers or employees, or their relatives (limited to those specified by Cabinet Order);

- hereinafter the same applies in this item) as the other parties;
- (c) those which a labor union enters into with its union members (including former union members) or their relatives as the other parties;
 - (d) those which a company enters into with another company that belongs to the same group (meaning the group of a company and its subsidiary companies) as the other party;
 - (e) those which a school (meaning a school as prescribed in Article 1 of the School Education Act (Act No. 26 of 1947)) or an organization comprised of its students enters into with its students as the other parties;
 - (f) those which a local community organization (meaning a local community organization as prescribed in Article 260-2, paragraph (1) of the Local Autonomy Act (Act No. 67 of 1947) that falls under the requirements listed in the items of paragraph (2) of that Article) enters into with its members as the other party; and
 - (g) those specified by Cabinet Order as being equivalent to those listed in (a) through (f);
- (iii) those for which the other parties are persons whose number does not exceed the number specified by Cabinet Order (except those specified by Cabinet Order).
- (2) The term "insurance company" as used in this Act means a person that conducts insurance business under the license from the Prime Minister prescribed in Article 3, paragraph (1).
 - (3) The term "life insurance company" as used in this Act means an insurance company which has obtained the life insurance business license set forth in Article 3, paragraph (4).
 - (4) The term "non-life insurance company" as used in this Act means an insurance company which has obtained the non-life insurance business license set forth in Article 3, paragraph (5).
 - (5) The term "mutual company" as used in this Act means an association established pursuant to this Act for the purpose of conducting insurance business, whose policyholders are the members.
 - (6) The term "foreign insurer" as used in this Act means a person conducting insurance business in a foreign state in accordance with the laws and regulations of that foreign state (excluding insurance companies).
 - (7) The term "foreign insurance company, etc." as used in this Act means a foreign insurer which has obtained the license set forth in Article 185, paragraph (1) from the Prime Minister.
 - (8) The term "foreign life insurance company, etc." as used in this Act means a foreign insurance company, etc. which has obtained the foreign life insurance business license set forth in Article 185, paragraph (4).
 - (9) The term "foreign non-life insurance company, etc." as used in this Act means

a foreign insurance company, etc. which has obtained the foreign non-life insurance business license set forth in Article 185, paragraph (5).

- (10) The term "foreign mutual company" as used in this Act means a foreign corporation akin to a mutual company, or a similar foreign corporation, which was established in accordance with the laws and regulations of a foreign state.
- (11) The term "all shareholders' voting rights" as used in this Act means voting rights of all shareholders or investors (in the case of a stock company, excluding voting rights related to shares which do not allow exercising voting rights for any of the matters which may be resolved at a shareholders' meeting, but including voting rights related to shares for which holders are deemed to have voting rights pursuant to the provisions of Article 879, paragraph (3) (Jurisdiction Over a Special Liquidation Case) of the Companies Act (Act No. 86 of 2005); hereinafter the same applies in this Article, the following Article, Article 100-2-2, Article 106, Article 107, Article 127, Article 260, Part II, Chapters XI and XII and Article 333).
- (12) The term "subsidiary company" as used in this Act mean a company in which another company holds voting rights exceeding 50 percent of all shareholders' voting rights. In such a case, if a first company and one or more of its subsidiary companies, or if one or more of the subsidiary companies of such first company, own voting rights exceeding 50 percent of all shareholders' voting rights in a second company, the relevant second company is deemed to be the subsidiary company of the first company.
- (13) The term "major shareholder threshold" as used in this Act means 20 percent (15 percent in the case if a person who satisfies the requirements specified by Cabinet Office Order as one with regard to which a fact exists that is expected to have a material effect on the decisions on the financial and business policies of the company, holds voting rights in the company) of all shareholders' voting rights.
- (14) The term "insurance company's major shareholder" as used in this Act means a person that holds a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold (including a person who holds such number of voting rights in the name of another person (or under a fictitious name); the same applies hereinafter), and is incorporated under the authorization set forth in Article 271-10, paragraph (1) or has obtained the authorization prescribed in Article 271-10, paragraph (1) or the proviso to Article 271-10, paragraph (2).
- (15) In the case prescribed in paragraph (12) and the preceding paragraph, the voting rights held by a company or a person who holds voting rights is not to include any voting rights from shares or equity interests held in the form of trust property pertaining to a monetary or securities trust (limited to cases where the settlor or the beneficiary may exercise the voting rights or may give

instructions to the company or the holder of the voting rights on the exercise of such voting rights) or any of the voting rights specified by Cabinet Office Order, but is to include voting rights from the shares or equity interests which are held as trust property and whose voting rights the other company or the person holding voting rights in the insurance company may, as a settlor or beneficiary, exercise or give instructions on the exercise (excluding those specified by Cabinet Office Order) and any voting rights from the shares which cannot be asserted against the issuer pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares (Act No. 75 of 2001).

(16) The term "insurance holding company" as used in this Act means a holding company (meaning a holding company as prescribed in Article 9, paragraph (4), item (i) (Holding Company) of the Act on Prohibiting Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947); the same applies hereinafter) whose subsidiary companies are insurance companies, which has been incorporated under the authorization set forth in Article 271-18, paragraph (1) or which has obtained authorization prescribed in Article 271-18, paragraph (1) or the proviso to paragraph (3).

(17) The term "small amount and short term insurance business" as used in this Act means, among the insurance business, the business of underwriting only insurance that has a insurance period within the period of two years or less specified by Cabinet Order, and for which the insurance proceeds do not exceed the amount of ten million yen and is less than the amount specified by Cabinet Order (except those specified by Cabinet Order).

(18) The term "small amount and short term insurer" as used in this Act means a person who has obtained the registration set forth in Article 272, paragraph (1) and who conducts small amount and short term insurance business.

(19) The term "life insurance agent" as used in this Act means an officer (excluding officers with the authority of representation and company auditors, members of the audit and supervisory committees (hereinafter referred to as "audit and supervisory committee member") and members of audit committees (hereinafter referred to as "audit committee members"); hereinafter the same applies in this Article) or employee of a life insurance company (including foreign life insurance companies, etc.; hereinafter the same applies in this paragraph) or the employee of such a person, and any person delegated by a life insurance company or any person who received a re-entrustment from the relevant person (including an association or foundation that is not a corporation and has designated representative persons or administrators) or the officer or employee of these persons, who acts as an agent or intermediary for the conclusion of an insurance contract on behalf of the life insurance company.

- (20) The term "non-life insurance agent" as used in this Act means an officer or employee of a non-life insurance company (including foreign companies, etc.: the same applies in the following paragraph), non-life insurance representative, or its officer or employee.
- (21) The term "non-life insurance representative" as used in this Act means a person delegated by a non-life insurance company, or a person who received a re-entrustment from the relevant person, who acts as an agent or intermediary for the conclusion of insurance contracts on its behalf (including an association or foundation that is not a corporation and has designated representative persons or administrators), and who is not an officer or employee of the non-life insurance company.
- (22) The term "small amount and short term insurance agent" as used in this Act means an officer or employee of a small amount and short term insurer , or a person delegated by a small amount and short term insurer, or a person who received a re-entrustment from the relevant person (including an association or foundation that is not a corporation and has designated representative persons or administrators) or an officer or employee of these persons, who acts as an agent or intermediary for the conclusion of insurance contracts on behalf of the small amount and short term insurer.
- (23) The term "insurance agent" as used in this Act means a life insurance agent, a non-life insurance agent, or a small amount and short term insurance agent.
- (24) The term "affiliated insurance company, etc." as used in this Act means the insurance company (including foreign insurance companies, etc.) or the small amount and short term insurer, which is to be the insurer in the insurance contracts solicited by life insurance agents, non-life insurance agents, or small amount and short term insurance agents.
- (25) The term "insurance broker" as used in this Act means a person who acts as an intermediary for the conclusion of an insurance contract other than the intermediation that life insurance agents, non-life insurance agents, and small amount and short term insurance agents (including an association or foundation that is not a corporation and has designated representative persons or administrators) carry out on behalf of their affiliated insurance companies, etc.
- (26) The term "insurance solicitation" as used in this Act means acting as an agent or intermediary for conclusion of an insurance contract.
- (27) The term "means of public notice" as used in this Act means the means of public notice prescribed in Article 2, item (xxxiii) (Definitions) of the Companies Act with regard to stock companies and foreign companies that are foreign insurance companies, etc. and the method by which mutual companies and foreign insurance companies, etc. (excluding foreign companies; hereinafter the same applies in this paragraph) give public notice with regard

to mutual companies and foreign insurance companies, etc. (except cases where provisions of this Act or other Acts prescribe that a means of publication in the Official Gazette is to be used).

- (28) The term "designated dispute resolution organization" as used in this Act means a person who has obtained the designation under Article 308-2, paragraph (1).
- (29) The term "life insurance business" as used in this Act means business conducted by a life insurance company pursuant to the provisions of Article 97, Article 98 and Article 99; business conducted by a life insurance company pursuant to the provisions of other laws; and insurance solicitation in which a life insurance agent conducts for the relevant life insurance company.
- (30) The term "non-life insurance business" as used in this Act means business conducted by a non-life insurance company pursuant to the provisions of Article 97, Article 98 and Article 99 (excluding business for paying insurance proceeds, etc. (meaning the insurance proceeds, etc. set forth in Article 16-2 (Limitations on Insurance Proceeds, for Damage Caused by an Absence from Work) of the Act on Securing Compensation for Automobile Accidents (Act No. 97 of 1955)) from liability insurance as set forth in Article 5 (Compulsory Execution of Contracts for Liability Insurance or Mutual Aid Liability Insurance) of that Act (referred to as the "automobile damage liability insurance business" in paragraphs (32) and (34))); business conducted by a non-life insurance company pursuant to the provisions of any other laws; and insurance solicitation in which a non-life insurance agent conducts for the relevant non-life insurance company.
- (31) The term "foreign life insurance business" as used in this Act means business conducted by a foreign life insurance company, etc. pursuant to the provisions of Article 97, Article 98, Article 99 and Article 100 as applied *mutatis mutandis* pursuant to Article 199; and insurance solicitation in which a life insurance agent conducts for the relevant foreign life insurance company, etc.
- (32) The term "foreign non-life insurance business" as used in this Act means business conducted by a foreign non-life insurance company, etc. pursuant to the provisions of Article 97, Article 98, Article 99 and Article 100 as applied *mutatis mutandis* pursuant to Article 199 (excluding the automobile damage liability insurance business); and insurance solicitation in which a non-life insurance agent conducts for the relevant foreign non-life insurance company, etc.
- (33) The term "specified life insurance business" as used in this Act means business that the underwriting member referred to in Article 219, paragraph (1), of a specified corporation referred to in the relevant paragraph, which has obtained a specified life insurance business license under paragraph (4) of that

Article, conducts pursuant to the provisions of Article 97, Article 98, Article 99 and Article 100 as applied mutatis mutandis pursuant to Article 199; and insurance solicitation in which a life insurance agent conducts for the relevant underwriting member.

- (34) The term "specified non-life insurance business" as used in this Act means business that the underwriting member referred to in Article 219, paragraph (1), of a specified corporation as set forth in the relevant paragraph, which has obtained a specified non-life insurance business license under paragraph (5) of that Article, conducts pursuant to the provisions of Article 97, Article 98, Article 99 and Article 100 as applied mutatis mutandis pursuant to Article 199 (excluding the automobile damage liability insurance business); and insurance solicitation in which a non-life insurance agent conducts for the relevant underwriting member.
- (35) The term "small amount and short term insurance business" as used in this Act means business that a small amount and short term insurer conducts pursuant to the provisions of Article 272-11, paragraph (1); and insurance solicitation in which a small amount and short term insurance agent conducts for the relevant small amount and short term insurer.
- (36) The term "insurance solicitation by insurance brokers" as used in this Act means the intermediation that an insurance broker performs for the conclusion of insurance contracts.
- (37) The term "insurance business, etc." as used in this Act means life insurance business, non-life insurance business, foreign life insurance business, foreign non-life insurance business, specified life insurance business, specified non-life insurance business, small amount and short term insurance business, and insurance solicitation by insurance brokers.
- (38) The term a "complaint processing procedure" as used in this Act means a procedure for processing the complaints related to insurance business, etc. (meaning complaints related to insurance business, etc.; the same applies in Article 308-7, Article 308-8 and Article 308-12).
- (39) The term "dispute resolution procedure" as used in this Act means a procedure to resolve disputes related to insurance business, etc. (meaning disputes related to insurance business, etc. that can be settled between the parties; the same applies in Article 308-7, Article 308-8 and Articles 308-13 through 308-15) without using court proceedings.
- (40) The term "business of dispute resolution, etc." as used in this Act means business for complaint processing procedures and dispute resolution procedures as well as business incidental thereto.
- (41) The term "category of business of dispute resolution, etc." as used in this Act means categorization of business of dispute resolution, etc. such as life insurance business, non-life insurance business, foreign life insurance business,

foreign non-life insurance business, specified life insurance business, specified non-life insurance business, small amount and short term insurance business, or insurance solicitation by insurance brokers.

- (42) The term "basic contract for implementation of dispute resolution procedures" as used in this Act means a contract concluded between a designated dispute resolution organization and an insurance-related business (meaning an insurance company, foreign life insurance company, etc., licensed specified corporation as defined in Article 223, paragraph (1), small amount and short term insurer, or insurance broker; the same applies hereinafter) with regard to the implementation of business of dispute resolution, etc.

Article 2-2 (1) A person listed in the following items is deemed to be a holder of voting rights in an insurance company, etc. (meaning insurance companies or small amount and short term insurers; the same applies hereinafter) amounting to the number specified in those items, and the provisions of Part II, Chapter XI, Sections 1 and 2, Chapters XII and XIII, and Parts V and VI apply to the person:

- (i) an organization that is not a corporation (limited to an organization specified by Cabinet Office Order as that equivalent to a corporation): the number of voting rights in the insurance company, etc. that the organization holds in its own name;
- (ii) a company required to prepare its financial statements and other documents on a consolidated basis pursuant to the provisions of Cabinet Office Order (referred to as "company subject to standards for consolidation" in the following item), for which the companies and other corporations to be consolidated (including organizations that are not corporations set forth in the preceding item; and hereinafter referred to as "companies, etc." in this paragraph) include an insurance company, etc., and that is not consolidated in any other company's financial statements or other documents: the number calculated pursuant to the provisions of Cabinet Office Order as representing the company's substantial influence on the insurance company, etc.;
- (iii) if a company, etc. (excluding one that is consolidated in the financial statements and other documents of a company that falls under the type of company listed in the preceding item, limited to one that holds voting rights in an insurance company, etc.) that is not a company subject to standards for consolidation belongs to a group of companies, etc. (meaning the group of the relevant company, etc., the group of another company, etc. in which the relevant company, etc. holds majority voting rights, or the group of a company, etc. specified by Cabinet Office Order as a company, etc. to which the relevant company, etc. is otherwise closely related; hereinafter the same applies in this paragraph), and when the total number of voting rights held

- in an insurance company, etc. by all of the companies etc. belonging to the group of companies, etc. (hereinafter referred to as the "number of voting rights held by the group of companies, etc." in this item and the following item) is equal to or exceeds the major shareholder threshold (such group of companies, etc. are hereinafter referred to as "specified group of companies, etc." in this item and the following item), a company, etc. in the specified group of companies, etc., in which no other company, etc. holds majority voting rights: the number of voting rights held by the group of companies, etc. in the specified group of companies, etc.;
- (iv) if no company, etc. in a specified group of companies, etc. falls under the type of company, etc. listed in the preceding item, a company, etc. whose assets in the balance sheet are the largest among the companies, etc. belonging to the specified group of companies, etc.: the number of voting rights held by the group of companies, etc. in the specified group of companies, etc.;
- (v) an individual who, by virtue of holding majority voting rights in companies, etc. that hold voting rights in an insurance company, etc. (including any of the persons listed from item (ii) to the preceding item; hereinafter the same applies in this item), is deemed to hold at least 20 percent of all shareholders' voting rights in the insurance company, etc., in terms of the number of voting rights held in the insurance company, etc. by the companies, etc. (for those falling under any of the categories listed in the preceding items, the number specified in the relevant item), taken together (counting in any voting rights held by the relevant individual in the insurance company, etc.; the number thus calculated is hereinafter referred to as the "grand total number of voting rights" in this item): the grand total number of voting rights for the individual;
- (vi) a person who holds voting rights in an insurance company, etc. (including a person falling under any of the categories listed in the preceding items; hereinafter the same applies in this item) who is deemed to hold at least 20 percent of all shareholders' voting rights in the insurance company, etc., in terms of the number of voting rights held by the relevant person in the insurance company, etc. (for a person falling under any of the categories listed in the preceding items, the number specified in the relevant item) and the number of voting rights held in the same insurance company, etc. by their joint holders (meaning any other holders of voting rights in the insurance company, etc. (including those falling under any of the categories listed in the preceding times) who have agreed with the relevant person on concerted action in acquiring or transferring the shares pertaining to the voting rights, or in exercising the voting and other rights as shareholders of that insurance company, etc. (excluding, where the person who holds the

- voting rights is a company falling under the category listed in item (ii), any company, etc. to be consolidated in the financial statements and other documents of the relevant company; excluding, where the person who holds the voting rights is a company, etc. falling under the category prescribed in item (iii) or (iv), any other company, etc. in the group of companies, etc. to which the relevant company, etc. belongs; and excluding, where the person who holds the voting rights is an individual falling under the category listed in the preceding item, any company, etc. in which the individual holds majority voting rights; but including any person who has a special relationship as specified by Cabinet Order with the person who holds the voting rights)) (for a joint holder falling under any of the categories listed in the preceding items, the number prescribed in the relevant item), taken together (the total number thus calculated is hereinafter referred to as the "number of voting rights jointly held" in this item): the number of voting rights jointly held;
- (vii) a person specified by Cabinet Office Order as being equivalent to a person listed in any of the preceding items: the number calculated pursuant to the provisions of Cabinet Office Order as representing the person's substantive influence on the insurance companies, etc.
- (2) In the case referred to in the items of the preceding paragraph, the provisions of paragraph (15) of the preceding Article apply mutatis mutandis to voting rights deemed to be held by a person listed in any of items of that paragraph and voting rights held by the holder of the voting rights.

Part II Insurance Companies

Chapter I General Provisions

(Licenses)

- Article 3 (1) A person may not conduct insurance business if the person has not obtained a license from the Prime Minister.
- (2) The license set forth in the preceding paragraph consists of two types: a life insurance business license and a non-life insurance business license.
- (3) The same person may not obtain both a life insurance business license and the non-life insurance business license.
- (4) A life insurance business license is a license for business of underwriting the class of insurance as listed in item (i) or of underwriting the class of insurance as listed in item (ii) or (iii) in addition to the class listed in item (i):
- (i) insurance for which premiums are received in exchange for an agreement to pay fixed insurance proceeds in connection with the survival or death of individuals (including the physical state of an individual whom a doctor has diagnosed as having no longer than a certain period of time left to live;

- hereinafter the same applies in this paragraph and the following paragraph)
(excluding one pertaining only to death, as under (c) of the following item);
- (ii) insurance for which insurance premiums are received in exchange for an agreement to pay fixed insurance proceeds in connection with the following grounds or to compensate for damage to the individual caused by such grounds:
 - (a) that an individual has contracted a disease;
 - (b) an individual's condition that was caused by an injury or disease;
 - (c) an individual's death that was directly caused by an injury;
 - (d) cases specified by Cabinet Office Order as those similar to what is listed in (a) or (b) (excluding the death of an individual); and
 - (e) an individual has undergone treatment (including those specified by Cabinet Office Order as a procedure similar to treatment) concerning those listed in (a), (b), or (d);
 - (iii) among the class of insurance listed in item (i) of the following paragraph, reinsurance pertaining to the class of insurance listed in the preceding two items.
- (5) A non-life insurance business license is a license for business of underwriting the class of insurance listed in item (i) or of underwriting the class of insurance listed in item (ii) or (iii) in addition to the classes listed in item (i):
- (i) insurance for which premiums are received in exchange for an agreement to compensate for damage caused by specific and accidental events (excluding the classes of insurance listed in the following item);
 - (ii) class of insurance listed in item (ii) of the preceding paragraph;
 - (iii) among the class of insurance listed in item (i) of the preceding paragraph, insurance related to the death of an individual between the time the person leaves their residence for overseas travel and the time they return to their residence (hereinafter referred to in this item as "overseas travel period") or the death of an individual directly caused by a disease contracted during the overseas travel period.
- (6) Sureties under surety bond services (meaning business for guaranteeing the performance of contractual obligations or legal and regulatory obligations and receiving consideration therefor, which is conducted by setting the amount of consideration, establishing a reserve, and distributing the risks through reinsurance, based on actuarial science, or by using any other methods inherent to insurance) is deemed to be the underwriting of the class of insurance listed in item (i) of the preceding paragraph, and the consideration pertaining to the surety is deemed to be the insurance premium pertaining to the classes of insurance set forth in that item.

(Procedures for Applying for Licences)

Article 4 (1) A person who seeks to obtain a license set forth in paragraph (1) of the preceding Article must submit a written application for the license stating the following particulars to the Prime Minister:

- (i) trade name or name;
- (ii) amount of stated capital or total amount of funds;
- (iii) name of the director and company auditor (director, in case of a company with an audit and supervisory committee (meaning a stock company or mutual company with an audit and supervisory committee; the same applies hereinafter), or director and executive officer, in the case of a company with a nominating committee, etc. (meaning a stock company or mutual company with a nominating committee, audit committee, and compensation committee (hereinafter referred to as "nominating committees, etc."); the same applies hereinafter));
- (iv) type of license sought; and
- (v) location of the head office or principal office.

(2) The following documents and other documents specified by Cabinet Office Order must be attached to the written application for a license set forth in the preceding paragraph:

- (i) articles of incorporation;
- (ii) statement of business procedures;
- (iii) general policy conditions; and
- (iv) statement of calculation procedures for insurance premiums and policy reserves.

(3) In the case referred to in the preceding paragraph, if the articles of incorporation under item (i) of that paragraph have been created as electronic or magnetic records (meaning a record that is created by an electronic method, magnetic method or any other method which cannot be recognized by human perception and is specified by Cabinet Office Order as suitable for use in information processing by a computer; the same applies hereinafter), the electronic or magnetic records may be attached in lieu of documents.

(4) The documents listed in paragraph (2), items (ii) through (iv) must state the particulars specified by Cabinet Office Order.

(Licensing Examination Standards)

Article 5 (1) When an application has been filed for a license set forth in Article 3, paragraph (1), the Prime Minister must examine whether it conforms to the following standards:

- (i) the person who filed the application (hereinafter referred to as the "applicant" in this paragraph) has a sufficient financial basis to perform the business of an insurance company soundly and efficiently, and that the applicant has favorable prospects for income and expenditures pertaining to

- the relevant business;
- (ii) in light of its personnel structure, etc., the applicant has the knowledge and experience necessary to perform the business of an insurance company appropriately, fairly, and efficiently, and that the applicant has sufficient social credibility; and
 - (iii) the particulars stated in the documents listed in paragraph (2), items (ii) and (iii) of the preceding Article conform to the following standards:
 - (a) the content of the insurance contracts is not likely to give negative impact on protection of the policyholders, the persons to be insured, beneficiaries of insurance proceeds, and other relevant persons (hereinafter referred to as "policyholders, etc.");
 - (b) no specific persons are subject to unfair discriminatory treatment under the content of the insurance contracts;
 - (c) the content of the insurance contracts poses no risk of encouraging or inducing acts that are harmful to public policy and good morals;
 - (d) the rights and obligations of the policyholders, etc. and other contents of the insurance contracts are specified clearly and simply for the policyholders, etc.; and
 - (e) any other standards specified by Cabinet Office Order;
 - (iv) the particulars stated in the documents listed in paragraph (2), item (iv) of the preceding Article conform to the following standards:
 - (a) the calculation procedures for insurance premiums and policy reserves are reasonable and proper, based on actuarial science;
 - (b) no specific persons are subject to unfair discriminatory treatment with regard to insurance premiums; and
 - (c) any other standards specified by Cabinet Office Order.
- (2) If and to the extent that the Prime Minister finds it necessary for the public interest in view of examination standards prescribed in the preceding paragraph, the Prime Minister may impose conditions on the license referred to in Article 3, paragraph (1) or change those conditions.

(Administrative Organs)

Article 5-2 An insurance company must be a stock company or a mutual company which has the following administrative organs:

- (i) board of directors;
- (ii) a board of company auditors, an audit and supervisory committee or a nominating committee, etc.; and
- (iii) accounting auditors.

(Amount of Stated Capital or Total Amount of Funds)

Article 6 (1) The amount of stated capital or total amount of funds (including the

reserves for redemption of funds set forth in Article 56) of an insurance company must be equal to or greater than the amount specified by Cabinet Order.

- (2) The amount specified by Cabinet Order under the preceding paragraph must not be less than one billion yen.

(Trade Names and Names)

Article 7 (1) An insurance company, in its trade name or name, must use the letters specified by Cabinet Office Order for indicating that it is a life insurance company or a non-life insurance company.

- (2) A person other than an insurance company, in its trade name or name, must not use any letters which would indicate that the person is an insurance company.

(Prohibition on Lending One's Name)

Article 7-2 An insurance company must not have another person conduct insurance business in the name of that insurance company.

(Restriction on Concurrent Holding of Positions by Directors)

Article 8 (1) Directors (or executive officers, in the case of a company with a nominating committee, etc.) engaging in the day-to-day business of an insurance company must not conduct the day-to-day business of any other company, except for the cases authorized by the Prime Minister.

- (2) When an application has been filed for the authorization referred to in the preceding paragraph, the Prime Minister may only grant the authorization if the Prime Minister finds that the particulars given in the application are unlikely to interfere with the sound and appropriate management of the insurance company.

(Eligibility of Directors)

Article 8-2 (1) The persons listed in the following items are to have the knowledge and experience specified in each item, and must have sufficient social credibility:

- (i) a director engaged in day-to-day business of an insurance company (or a director and executive officer engaged in day-to-day business of an insurance company, in the case of a company with a nominating committee, etc.): knowledge and experience to carry out business management of an insurance company in an appropriate, fair and efficient manner;
- (ii) an auditor of an insurance company (or audit and supervisory committee member, in the case of a company with an audit and supervisory committee): knowledge and experience to supervise the execution of duties of directors of

- an insurance company (or directors and accounting advisor, in case of a company with an accounting advisor (meaning a stock company or mutual company with an accounting advisor; the same applies hereinafter)) in an appropriate, fair, and efficient manner;
- (iii) an audit committee member of an insurance company: knowledge and experience to supervise the execution of duties of executive officers and directors of an insurance company (or executive officers, directors and accounting advisors, in case of a company with an accounting advisor) in an appropriate, fair, and efficient manner.
- (2) No person who has become subject to an order commencing bankruptcy proceedings and has not been released from bankruptcy restrictions, or a person who is treated the same manner as such a person under the laws and regulations of a foreign state, must be appointed as a director, executive officer or auditor of an insurance company.

**Chapter II Stock Companies and Mutual Companies That Conduct
Insurance Business**
**Section 1 Special Provisions on Stock Companies That Conduct
Insurance Business**

(Means of Public Notice)

- Article 9 (1) A stock company that conducts insurance business (hereinafter referred to as a "stock company" in this Section) must specify any of the following methods as the means of public notice in its articles of incorporation:
- (i) publication in a daily newspaper that publishes the news on current events;
or
- (ii) electronic public notice (for stock companies and foreign insurance companies, etc. that are foreign companies, meaning the electronic public notice as defined in Article 2, item (xxxiv) (Definitions) of the Companies Act, and for mutual companies and a foreign insurance companies, etc. (that are other than foreign companies), any of those means of public notice meeting the definition provided in that item which allow many and unspecified persons to access the information that is published by electronic or magnetic means (meaning the electronic or magnetic means defined in that item); the same applies hereinafter).
- (2) The provisions of Article 940, paragraph (1) (excluding item (ii)) and paragraph (3) (Public Notice Period of Electronic Public Notice) of the Companies Act apply mutatis mutandis to the cases if a stock company gives public notice under this Act in the form of an electronic public notice. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Application for Offered Shares)

Article 10 A stock company, when it gives notice pursuant to the provisions of Article 59, paragraph (1) (Application for Shares Solicited at Incorporation), Article 203, paragraph (1) (Applications for Offered Shares) or Article 242, paragraph (1) (Application for Offered Share Options) of the Companies Act, must give notice of the particulars listed in the items of Article 59, paragraph (1), the items of Article 203, paragraph (1) or the items of Article 242, paragraph (1), respectively, and any provisions in its articles of incorporation as set forth in the second sentence of Article 113 (including as applied mutatis mutandis pursuant to Article 272-18).

(Reference Date)

Article 11 For the purpose of applying to a stock company the provisions of Article 124, paragraph (2) (Record Date) of the Companies Act, the term "three months" in that paragraph is deemed to be replaced with "three months (or four months for the right to exercise a voting right at an annual shareholders' meeting and any other right specified by Cabinet Office Order)".

(Qualifications of Directors)

Article 12 (1) For the purpose of applying the provisions of Article 331, paragraph (1) (Qualifications of Directors) of the Companies Act (including as applied mutatis mutandis pursuant to Article 335, paragraph (1) (Qualifications of Company Auditors) and Article 402, paragraph (4) (Election of Executive Officers) of that Act) to a stock company, the term "an adult ward, a person under curatorship, or a person who is similarly treated under foreign laws and regulations" in Article 331, paragraph (1), item (ii) of that Act is deemed to be replaced with "a person specified by Cabinet Office Order as being unable to properly perform their duties due to a mental or physical disorder", and the term "this Act" in item (iii) of that paragraph is deemed to be replaced with "the Insurance Business Act, this Act".

(2) The provisions of the proviso to Article 331, paragraph (2) (including as applied mutatis mutandis pursuant to Article 335, paragraph (1) of the Companies Act), Article 332, paragraph (2) (Directors' Terms of Office) (including as applied mutatis mutandis pursuant to Article 334, paragraph (1) (Accounting Advisors' Terms of Office)), Article 336, paragraph (2) (Company Auditors' Terms of Office), Article 389, paragraph (1) (Limitation of Scope of Audit by Provisions of Articles of Incorporation), and the proviso to Article 402, paragraph (5) of the Companies Act does not apply to a stock company.

(Reference Documents for Shareholders Meetings and Voting Forms)

Article 13 For the purpose of applying the provisions of Article 301, paragraph (1) (Delivery of Reference Documents for a Shareholders Meeting and Voting Forms), Article 432, paragraph (1) (Preparation and Retention of Account Books), Article 435, paragraphs (1) and (2) (Preparation and Retention of Financial Statements), Article 436, paragraphs (1) and (2) (Audit of Financial Statements), Article 439 (Special Provisions on Companies with Accounting Auditors), and Article 440, paragraph (1) (Public Notice of Financial Statements) of the Companies Act to a stock company, the term "Order of the Ministry of Justice" in the relevant provisions is deemed to be replaced with "Cabinet Office Order".

(Exclusion from Application of Provisions Regarding Requests to Inspect Account Books)

Article 14 (1) The provisions of Article 433 (Request to Inspect Account Books) of the Companies Act do not apply to account books of a stock company and materials relating thereto.

(2) For the purpose of applying the provisions of Article 442, paragraph (3) (Keeping and Inspection of Financial Statements, etc.) of the Companies Act to a stock company, the term "and creditors" in that paragraph is deemed to be replaced with ", policyholders, beneficiaries of insurance proceeds, and other creditors and insurers".

(Reserves)

Article 15 Notwithstanding the provisions of Article 445, paragraph (4) (Amounts of Stated Capital and Amounts of Reserves) of the Companies Act, in the case if a stock company pays dividends of surplus, it must record the amount equivalent to one-fifth of the amount of the deduction from surplus as a result of the payments of the dividends of surplus as capital reserves or retained earnings reserves (hereinafter referred to as "reserves"), pursuant to the provisions of Cabinet Office Order.

(Keeping and Inspection of Documents Related to Reduction of Stated Capital)

Article 16 (1) A stock company must keep at each of its business offices the documents or electronic or magnetic records in which any proposal for a reduction (excluding the cases where the whole of the amount by which the reserves are reduced is appropriated to the stated capital) of the stated capital or reserves (hereinafter referred to as "stated capital, etc." in this Section) and any other particulars specified by Cabinet Office Order are stated or recorded, for a period ranging from two weeks before the date of the shareholders' meeting related to the resolution on the reduction (or, the date of the board of directors meeting if article 447, paragraph (3) (Reductions in Amount of Stated

Capital) or Article 448, paragraph (3) (Reductions in Amount of Reserves) of the Companies Act Applies) to six months from the effective date of the reduction of the stated capital, etc.; provided, however, that this does not apply to the cases where only the amount of the reserves is reduced and all of the following conditions are met:

- (i) an annual shareholders' meeting has decided on the particulars listed in the items of Article 448, paragraph (1) of the Companies Act; and
 - (ii) the amount set forth in Article 448, paragraph (1), item (i) of the Companies Act does not exceed the amount calculated in a manner specified by Cabinet Office Order as the amount of the deficit as of the date of the annual shareholders meeting referred to in the preceding item (or, in the cases provided for in the first sentence of Article 439 (Special Provisions on Companies with Accounting Auditors) of that Act, the date of authorization under Article 436, paragraph (3) (Audit of Financial Statements)).
- (2) Shareholders, policyholders and other creditors of a stock company may make the following requests at any time during the operating hours of the company; provided, however, that they must pay the fees determined by the stock company if making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means (meaning any of the methods using an electronic data processing system or any other information and communication technology and specified by Cabinet Office Order; the same applies hereinafter) designated by the stock company, or to be issued a document stating the particulars.
- (3) For the purpose of applying the provisions of paragraph (1), item (i) to the cases where the articles of incorporation include provisions set forth in Article 459, paragraph (1) (Provisions in the Articles of Incorporation for the Board of Directors to Determine Dividends of Surplus) of the Companies Act, the term "annual shareholders meeting" in that item is deemed to be replaced with "annual shareholders meeting or the board of directors under Article 436, paragraph (3) of the Companies Act".

(Objections by Creditors)

Article 17 (1) If a stock company reduces the amount of its stated capital, etc.

(excluding the cases where the whole amount by which the reserves are reduced is appropriated to the stated capital), policyholders or other creditors of the stock company may state their objections to the reduction in the amount of the stated capital, etc. to the stock company; provided, however, that this does not apply to the cases in which only the amount of the reserves is reduced and the company falls under all of the items of paragraph (1) of the preceding Article.

- (2) If policyholders or other creditors of a stock company may raise their objections pursuant to the provisions of the preceding paragraph, the stock company must give public notice of the following particulars in the Official Gazette and by the means of public notice stipulated in the company's articles of incorporation; provided, however, that the period under item (iii) may not be less than one month:
 - (i) the details of the reduction in the amount of the stated capital, etc.;
 - (ii) the particulars specified by Cabinet Office Order regarding the financial statements of the stock company;
 - (iii) that policyholders or other creditors may raise their objections within a certain period of time; and
 - (iv) beyond what is set forth in the preceding three items, any particulars specified by Cabinet Office Order.
- (3) If policyholders or other creditors do not raise any objections within the period under item (iii) of the preceding paragraph, the policyholders or other creditors are deemed to have approved the reduction in the amount of the stated capital, etc.
- (4) If policyholders or other creditors raise objections within the period under paragraph (2), item (iii), the stock company referred to in paragraph (1) must make payment or provide equivalent security to the policyholders or other creditors, or entrust equivalent property to a trust company, etc. (meaning a trust company (a trust company as defined in Article 2, paragraph (2) (Definitions) of the Trust Business Act (Act No. 154 of 2004); the same applies hereinafter) or financial institution conducting trust business (meaning a financial institution approved under Article 1, paragraph (1) (Authorization for Concurrent Operation) of the Act on Provision of Trust Business by Financial Institutions (Act No. 43 of 1943)); the same applies hereinafter) for the purpose of ensuring that the policyholders or other creditors receive the payment; provided, however, that this does not apply to the cases where the reduction of the stated capital, etc. poses no risk of harming the interest of the policyholders or other creditors.
- (5) The provisions of the preceding paragraph do not apply to the policyholders or to any rights held by other persons pertaining to insurance contracts (excluding insurance claims that have already arisen at the time of public

notice under paragraph (2) due to the occurrence of insured events or for other grounds, and any other right specified by Cabinet Order (referred to as "insurance claims, etc." hereinafter in this Section, as well as in Section 3 and Chapter VIII, Sections 2 and 3)).

- (6) A resolution pertaining to the reduction of the stated capital, etc. under Article 447, paragraph (1) (Reductions in Amount of Stated Capital) or Article 448, paragraph (1) (Reductions in Amount of Reserves) of the Companies Act is invalid if the number of policyholders who have raised their objections within the period set forth in paragraph (2), item (iii) (excluding the holders of policies under which insurance claims, etc. had already arisen at the time of public notice under that paragraph (but limited to those policies that would be terminated with the payment of the insurance claims, etc.); hereinafter the same applies in this paragraph and paragraph (4) of the following Article) exceeds one fifth of the total number of policyholders, and the amount specified by Cabinet Office Order as the credits (excluding insurance claims, etc.) belonging to the insurance contracts of the policyholders who have stated such objections exceeds one fifth of the total amount of credits belonging to the policyholders.
- (7) Beyond what is provided for in the preceding paragraphs, any necessary particulars for the application of those provisions are specified by Cabinet Order.

(Effectuation)

- Article 17-2 (1) The reduction of the amounts listed in the following items takes effect on the dates specified by the items, respectively; provided, however, that this does not apply to the cases where the procedures under the preceding Article have not been completed, or if a resolution pertaining to the reduction of the stated capital, etc. under Article 447, paragraph (1) (Reductions in Amount of Stated Capital) or Article 448, paragraph (1) (Reductions in Amount of Reserves) of the Companies Act becomes null or void pursuant to the provisions of Article 17, paragraph (6):
- (i) reduction of the capital: the date specified in Article 447, paragraph (1), item (iii) of the Companies Act; and
 - (ii) reduction of reserves: the date specified in Article 448, paragraph (1), item (iii) of the Companies Act.
- (2) A stock company may change the dates specified in each item of the preceding paragraph at any time before those dates.
- (3) Notwithstanding the provisions of paragraph (1), any reduction of the stated capital of a stock company is not effective unless it is approved by the Prime Minister.
- (4) A reduction of the stated capital, etc. pursuant to the provisions of the

preceding Article (or, pursuant to the provisions of that Article and the preceding paragraph for a reduction of the stated capital) is also effective against the policyholders who have stated their objections under that Article, paragraph (6) and other persons who hold any right (other than insurance claims, etc.) pertaining to insurance contracts involving the policyholders.

(Special Provisions on Registration)

Article 17-3 (1) The following documents must be attached to a written application for a registration of change due to a reduction of the stated capital of a stock company, in addition to the documents specified in Articles 18, Article 19 (Documents to be Attached to Written Applications) and Article 46 (General Rules on Documents to be Attached) of the Commercial Registration Act (Act No. 125 of 1963):

- (i) a document certifying that the public notice under Article 17, paragraph (2) has been given;
 - (ii) if any policyholder or other creditor has raised an objection under Article 17, paragraph (4), a document certifying that the company has made payment or provided equivalent security to the policyholder or other creditor, or has entrusted equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receive the payment, or that the reduction of the stated capital poses no risk of harming the interest of the policyholder or other creditor; and
 - (iii) a document certifying that the number of policyholders who raised their objections under Article 17, paragraph (6) has not exceeded one fifth of the total number of policyholders as indicated in that paragraph, or a document certifying that the amount specified by Cabinet Office Order as belonging to the policyholders as indicated in that paragraph has not exceeded one fifth of the total amount as indicated in that paragraph.
- (2) The provisions of Article 70 (Registration of Changes Due to a Reduction of Stated Capital) of the Commercial Registration Act do not apply to a registration of change due to a reduction of the stated capital of a stock company.

(Keeping and Inspection of Documents Related to a Reduction of Stated Capital)

Article 17-4 (1) A stock company must keep at each of its business offices the documents or electronic or magnetic records in which the progress of the procedures provided for in Article 17 and any other particulars specified by Cabinet Office Order as related to the reduction of the capital, etc. are stated or recorded, for six months from the effective date of the reduction of the stated capital, etc.

- (2) Shareholders, policyholders and other creditors of a stock company may make the following requests at any time during the operating hours of the company; provided, however, that they must pay the fees determined by the stock company if making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means designated by the stock company, or to be issued a document stating the particulars.

(Exclusions from Application)

Article 17-5 (1) The provisions of Article 449 (Objections by the Creditors) of the Companies Act do not apply to the reduction of the stated capital, etc. of a stock company.

- (2) For the purpose of applying to a stock company the provisions of Article 740, paragraph (1) (Special Provisions on Objection Procedures for Creditors) of the Companies Act, the following phrase is added after the term "Article 810" in that paragraph: ", or Article 17, Article 70, Article 165-7 (including as applied mutatis mutandis pursuant to Article 165-12 of the Insurance Business Act), Article 165-24 or Article 173-4 of the Insurance Business Act".

(Restrictions on Dividends of Surplus to Shareholders)

Article 17-6 (1) If any amount is credited to assets in the balance sheet pursuant to the provisions of the first sentence of Article 113 (including as applied mutatis mutandis pursuant to Article 272-18), a stock company must not take any of the following actions unless the amount has been fully amortized:

- (i) purchase of any share of the stock company at a request made under Article 138, item (i), (c) or item (ii), (c) (Method for Requests for Authorization of Transfer) of the Companies Act;
- (ii) acquisition of any share of the stock company based on a decision under Article 156, paragraph (1) (Determination of Matters Regarding Acquisition of Shares) of the Companies Act (but limited to acquisition of any share of the stock company if Article 163 (Acquisition of Shares from Subsidiary Companies) or Article 165, paragraph (1) (Acquisition of Shares by Market Transactions) of that Act applies);
- (iii) acquisition of any share of the stock company based on a decision under

- Article 157, paragraph (1) (Determination of Acquisition Price) of the Companies Act;
- (iv) acquisition of any share of the stock company under Article 173, paragraph (1) (Effectuation) of the Companies Act (excluding the cases if no money or other property is delivered);
 - (v) purchase of any share of the stock company at a request made under Article 176, paragraph (1) (Demand for Sale) of the Companies Act;
 - (vi) purchase of any share of the stock company under Article 197, paragraph (3) (Auction of Shares) of the Companies Act;
 - (vii) purchase of any share of the stock company under Article 234, paragraph (4) (Treatment of Fractions) of the Companies Act (including as applied mutatis mutandis pursuant to Article 235, paragraph (2) (Treatment of Fractions) of that Act); and
 - (viii) dividend of surplus.
- (2) The provisions of Article 463, paragraph (2) (Restrictions on Remedy Against Shareholders) of the Companies Act apply mutatis mutandis to the cases if a stock company, in violation of the provisions of the preceding paragraph, has taken any of the actions listed in the items of that Article. In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (3) For the purpose of applying to a stock company the provisions of Article 446, item (vii) (Amounts of Surplus), Article 461, paragraph (2), item (ii), (a) and item (vi) of that paragraph (Restriction on Dividends) of the Companies Act, the term "Order of the Ministry of Justice" in these items is deemed to be replaced with "Cabinet Office Order".

(Particulars to be Registered in Registering the Incorporation)

- Article 17-7 (1) In registering the incorporation of a stock company, the particulars listed in the items of Article 911, paragraph (3) (Registration of a Stock Company's Incorporation) of the Companies Act must be registered, along with any provisions in its articles of incorporation in the second sentence of Article 113 (including as applied mutatis mutandis pursuant to Article 272-18).
- (2) If any change has occurred in the particulars prescribed in the preceding paragraph, the stock company must complete the registration of the change within two weeks at the location of its head office.

Section 2 Mutual Companies
Subsection 1 General Provisions

(Legal Personality)

Article 18 A mutual company is to be a corporation.

(Address)

Article 19 The address of a mutual company is to be at the location of its principal office.

(Name)

Article 20 A mutual company must use the letters "相互会社 (Sogo-Kaisha)" (which means "mutual company") in its name.

(Application, Mutatis Mutandis, of the Companies Act)

Article 21 (1) The provisions of Article 8 (Prohibition on the Use of a Name, etc. That is Likely to Be Mistaken for That of a Company) of the Companies Act apply mutatis mutandis to the use of a trade name or any other name that may be misunderstood as a mutual company; the provisions of Article 9 (Liability of a Company That Permits Others to Use Its Trade Name) of that Act apply mutatis mutandis to a mutual company; the provisions of Part I, Chapter III, Section 1 (Employees of a Company) of that Act apply mutatis mutandis to the employees of a mutual company; the provisions of Section 2 of the relevant Chapter (excluding Article 18) (Commercial Agents of a Company) apply mutatis mutandis to a person acting as an agent or intermediary in transactions for a mutual company; and the provisions of Chapter IV of that Part (excluding Article 24) (Non-Competition after Business Transfer) apply mutatis mutandis to the cases if a mutual company either transfers its business, or takes over any business or operations, respectively. In this case, the term "company (including a foreign company, hereinafter the same applies in this Part)" in Article 10 (Managers) of that Act is deemed to be replaced with "mutual company"; any other necessary technical replacement of terms is specified by Cabinet Order.

(2) The provisions of Part II, Chapter I (excluding Articles 501 to 503) (General Provisions) of the Commercial Code (Act No. 48 of 1899) apply mutatis mutandis to the actions taken by a mutual company; the provisions of Chapter II of that Part (Buying and Selling) apply mutatis mutandis to the buying and selling carried out by a mutual company with a merchant or another mutual company (including any foreign mutual company); the provisions of Chapter III of that Part (Current Account) apply mutatis mutandis to the contracts pertaining to set-offs carried out by a mutual company with its usual counterparties; the provisions of Chapter V of that Part (excluding Article 545) (Brokerage Services) apply mutatis mutandis to a mutual company's actions as an intermediary with regard to commercial transactions between third parties; and the provisions of Chapter VI of that Part (excluding Article 558) (Commission Agent Services) and Article 595 (Duty of Care of Bailees) of the

that Code apply mutatis mutandis to a mutual company, respectively. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(3) For the purpose of applying mutatis mutandis the provisions of the Companies Act to the provisions of this Part (excluding the preceding Section, paragraph (1), Article 67-2 and Article 217, paragraph (3)) and Part VI (excluding Article 332-2), the term "electronic or magnetic record" in the provisions of that Act (including other provisions of that Act as applied mutatis mutandis pursuant to the relevant provisions) is deemed to be replaced with "electronic or magnetic record (meaning the electronic or magnetic record prescribed in Article 4, paragraph (3) of the Insurance Business Act)"; the term "electronic or magnetic means" in that Act is deemed to be replaced with "electronic or magnetic means (meaning the electronic or magnetic means prescribed in Article 16, paragraph (2), item (iv) of the Insurance Business Act)"; and the term "Order of the Ministry of Justice" in that Act is deemed to be replaced with "Cabinet Office Order", respectively.

(4) For the purpose of applying mutatis mutandis the provisions of the Companies Act to the provisions of this Section (excluding paragraph (1), Divisions 1 and 2 of Subsection 4, and Article 67-2) and Chapter VIII, Section 4, the terms "stock company" and "company with a board of directors" in the provisions of that Act (including other provisions of that Act as applied mutatis mutandis pursuant to the relevant provisions) is deemed to be replaced with "mutual company"; the term "shareholder" in that Act is deemed to be replaced with "member"; the term "subsidiary company" in that Act is deemed to be replaced with "substantive subsidiary companies (meaning a substantive subsidiary companies prescribed in Article 33-2, paragraph (1) of the Insurance Business Act)"; the term "head office" in that Act is deemed to be replaced with "principal office"; the term "branch office" in that Act is deemed to be replaced with "secondary office"; the term "operating hours" in that Act is deemed to be replaced with "business hours"; the term "shareholders' meeting" in that Act is deemed to be replaced with "general meeting (or, a member representatives meeting, if the company has such a meeting)"; and the term "annual shareholders' meeting" in that Act is deemed to be replaced with "annual general meeting (or the annual member representatives meeting, if the company has a member representatives meeting)", respectively, unless provided otherwise.

Subsection 2 Incorporation

(Articles of Incorporation)

Article 22 (1) In order to incorporate a mutual company, the incorporators are to

prepare its articles of incorporation, and all the incorporators must sign or affix their names and seals to the articles of incorporation.

- (2) The articles of incorporation set forth in the preceding paragraph may be prepared in the form of an electronic or magnetic record. In this case, actions specified by Cabinet Office Order must be taken in lieu of signing or affixing the names and seals, with respect to the information recorded in the electronic or magnetic record.

(Particulars Stated or Recorded in the Articles of Incorporation)

Article 23 (1) The following particulars must be stated or recorded in the articles of incorporation of a mutual company:

- (i) purposes;
- (ii) name;
- (iii) location of the principal office;
- (iv) total amount of funds (including the reserves for redemption of funds under Article 56);
- (v) provisions on the rights of fund contributors;
- (vi) method of redemption of funds;
- (vii) method of distributing dividends of surplus;
- (viii) means of public notice; and
- (ix) name and address of the incorporator.

- (2) The means of the public notice listed in item (viii) of the preceding paragraph is one of the following methods:

- (i) publication in a daily newspaper that publishes the news on current events;
or
- (ii) electronic public notice.

- (3) Provisions in the articles of incorporation to the effect that electronic public notice is to be the means of public notice are to suffice for a mutual company to designate the means listed in item (ii) of the preceding paragraph as its means of public notice in its articles of incorporation. In this case, the company may designate the means listed in item (i) of the preceding paragraph as the means of public notice in case the electronic means is not available for public notice due to an accident or for any other compelling reason.

- (4) The provisions of Article 30 (Certification of the Articles of Incorporation) of the Companies Act apply mutatis mutandis to certification of the articles of incorporation set forth in paragraph (1) of the preceding Article. In this case, the term "Article 33, paragraph (7) or (9), or Article 37, paragraph (1) or (2)" in Article 30, paragraph (2) of that Act is deemed to be replaced with "Article 33, paragraph (7) or (9) as applied mutatis mutandis pursuant to Article 24, paragraph (2) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

Article 24 (1) If a mutual company is to be incorporated, the following particulars do not become effective unless they are stated or recorded in the articles of incorporation referred to in Article 22, paragraph (1):

- (i) property that is agreed to be assigned to the mutual company after its establishment, its value, and the name of the assignor;
- (ii) compensation or any other special benefit which the incorporators are to obtain by establishing the mutual company, and the names of the incorporators; and
- (iii) expenses for the incorporation that are borne by the mutual company (excluding the fees for the certification of the articles of incorporation and the other expenses specified by Cabinet Office Order as posing no risk of harming the interest of the mutual company).

(2) The provisions of Article 33 (Election of an Inspector of Particulars Stated or Recorded in the Articles of Incorporation), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (1) (limited to the part involving items (i) and (iii)) (Hearing of Statements), Article 871 (Appending of Reasons), Article 872 (limited to the part involving item (iv)) (Immediate Appeals), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to investigations by an inspector of any of the particulars listed in the items of the preceding paragraph where the Article of incorporation of a mutual company include any entry or record of that particular. In this case, the term "rescind the manifestation of the intention to subscribe for the relevant shares issued at incorporation" in Article 33, paragraph (8) of that Act is deemed to be replaced with "resign from the office"; the term "Article 28, items (i) and (ii)" in paragraph (10), item (i) and the term "Article 28, item (i) or (ii)" in items (ii) and (iii) of that Article is deemed to be replaced with "Article 24, paragraph (1), item (i) of the Insurance Business Act", the term "items (i) and (ii) of that Article" in Article 33, paragraph (10), item (i) of that Act is deemed to be replaced with "that item", and the terms "Article 38, paragraph (1)" and "paragraph (3), item (ii) of the same Article" in Article 33, paragraph (11), item (iii) of that Act are deemed to be replaced with "Article 30-10, paragraph (1) of the Insurance Business Act" and "that paragraph", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

Article 25 In addition to the particulars listed in the items of Article 23, paragraph (1) and the items of paragraph (1) of the preceding Article, any other particulars may be stated or recorded in the articles of incorporation of a

mutual company, including those which, pursuant to the provisions of this Act, do not take effect unless prescribed in the articles of incorporation, so long as they do not violate the provisions of this Act.

(Keeping and Inspection of the Articles of Incorporation)

Article 26 (1) The incorporators (or the mutual company after the establishment of the mutual company) must keep the articles of incorporation at the place designated by the incorporators (or each office of the mutual company after the establishment of the mutual company).

(2) The incorporators (after the establishment of the mutual company, the members and creditors of the mutual company) may make the following requests at any time during the hours designated by the incorporators (after the establishment of the mutual company, during its business hours); provided, however, that they must pay the fees determined by the incorporators (after the establishment of the mutual company, the mutual company) if making a request set forth in item (ii) or (iv):

(i) if the articles of incorporation have been prepared in writing, a request to inspect them;

(ii) a request to be issued a certified copy or extract of the articles of incorporation referred to in the preceding item;

(iii) if the articles of incorporation are prepared in the form of an electronic or magnetic record, a request to inspect anything that shows the particulars recorded in the electronic or magnetic record in a means specified by Cabinet Office Order; or

(iv) a request to be provided with the particulars recorded in the electronic or magnetic record set forth in the preceding item by the electronic or magnetic means designated by the incorporators (after the establishment of the mutual company, such mutual company), or to be issued a document stating the particulars.

(3) If the articles of incorporation are prepared in the form of an electronic or magnetic record, for the purpose of applying the provisions of paragraph (1) to a mutual company that is taking the measures specified by Cabinet Office Order as the measures that enable its secondary offices to respond to the requests listed in items (iii) and (iv) of the preceding paragraph, the term "each office" is deemed to be replaced with "principal office".

(Solicitation of Funds at Incorporation by a Mutual Company)

Article 27 The incorporators must solicit contributions to the total amount of funds in incorporating a mutual company pursuant to the provisions of this Subsection.

(Offers to Contribute Funds)

Article 28 (1) The incorporators must notify those who seek to offer contributions of funds in response to the solicitation under the preceding Article of the following particulars:

- (i) date of the articles of incorporation and the name of the notary who certified them;
 - (ii) particulars listed in the items of Article 23, paragraph (1) and the items of Article 24, paragraph (1);
 - (iii) the place where the bank, etc. (meaning a bank (meaning a bank as defined in Article 2, paragraph (1) (Definitions, etc.) of the Banking Act (Act No. 59 of 1981); the same applies hereinafter), trust company, or any other entity specified by Cabinet Office Order as equivalent to a bank or trust company; hereinafter the same applies in this Part) handles the payment of contribution of funds; and
 - (iv) beyond what is set forth in the preceding three items, any other particulars specified by Cabinet Office Order.
- (2) A person who offers to contribute funds in response to the solicitation under the preceding Article must deliver a document stating the following particulars to the incorporators:
- (i) name and address of the person making the offer; and
 - (ii) amount of funds planned to be contributed.
- (3) A person who makes an offer under the preceding paragraph may, in lieu of delivering the document prescribed in that paragraph, and pursuant to the provisions of Cabinet Order, provide the particulars that are required to be stated in the document by electronic or magnetic means, with the consent of the incorporators. In this case, the person who has made the offer is deemed to have delivered the document prescribed in that paragraph.
- (4) The incorporators must immediately notify a person who has made an offer under paragraph (2) (hereinafter referred to as "offeror" in this Subsection) of any changes in the particulars listed in the items of paragraph (1) and of the particulars affected by the changes.
- (5) It is sufficient for a notice or demand to be sent by the incorporators to an offeror at the address specified under paragraph (2), item (i) (where the offeror has notified the incorporators of a different place or contact address for the receipt of notices or demands, to that place or contact address).
- (6) The notice or demand under the preceding paragraph is deemed to have arrived at the time the notice or demand would normally have arrived.

(Allocation of Funds)

Article 29 (1) The incorporators are to select among the offerors the persons who must contribute funds, and must determine the amount of contribution to be

allocated to each of them. In this case, the incorporators may reduce the amounts of the contributions of funds to be made by such offerors from the amount prescribed in paragraph (2), item (ii) of the preceding Article.

- (2) The incorporators, without delay following any decision under the preceding paragraph, must notify the offerors of the amount of contributions of funds to be made by each of them.

(Special Provisions on Offers to Contribute Funds as Solicited at Incorporation and the Allocation Thereof)

Article 30 The provisions of the preceding two Articles do not apply to the cases if a person who seeks to contribute funds as solicited at incorporation concludes a contract stipulating the contribution of the total amount of such funds.

(Fund Subscription)

Article 30-2 The persons listed in the following items are to be fund subscribers solicited at incorporation in the amounts specified in the items:

- (i) offerors: the amount of their contributions of funds as allocated by the incorporators; and
- (ii) a person who, under a contract as set forth in the preceding Article, has subscribed for the total amount of funds solicited at incorporation: the amount of funds subscribed for.

(Payment of Funds)

Article 30-3 (1) Each fund subscriber solicited at incorporation must, without delay following the receipt of the notice under Article 29, paragraph (2), pay the full amount of money pertaining to their contribution of funds solicited at incorporation, at the place payment is handled that is listed in Article 28, paragraph (1), item (iii).

- (2) The incorporators must notify any fund subscriber solicited at incorporation who has not made the payment set forth in the preceding paragraph that the payment is to be made by the date designated thereby.
- (3) The notice under the preceding paragraph must be given no later than two weeks before the date prescribed in that paragraph.
- (4) No assignment of the right to become a fund subscriber of a mutual company at its incorporation by making a payment pursuant to the provisions of paragraph (1) may be duly asserted against the mutual company thus established.
- (5) A fund subscriber solicited at incorporation who has received the notice under paragraph (2), if they fail to make the payment by the date prescribed in that paragraph, loses their right to become a fund contributor of a mutual company

at incorporation by making the payment.

(Certificate of Deposit for Monies Paid)

Article 30-4 (1) The incorporators may request the bank, etc. that handled the payment pursuant to the provisions of paragraph (1) of the preceding Article to issue a certificate of deposit for monies equivalent to the amount paid in pursuant to the provisions of that paragraph.

(2) The bank, etc. that issued the certificate referred to in the preceding paragraph may not assert against the mutual company after its establishment due to anything stated on the certificate which differs from the fact or due to the existence of restrictions regarding the return of money paid in pursuant to the provisions of paragraph (1) of the preceding Article.

(Restrictions on the Invalidation or Recession of Subscription)

Article 30-5 (1) Fund subscribers solicited at incorporation may make the requests listed in the items of Article 26, paragraph (2) at any time during the hours designated by the incorporators; provided, however, that they must pay the fees determined by the incorporators if making a request set forth in item (ii) or (iv) of that paragraph.

(2) The proviso to Article 93, paragraph (1) (Concealment of True Intent) and the provisions of Article 94, paragraph (1) (Fictitious Manifestation of Intention) of the Civil Code (Act No. 89 of 1896) do not apply to the manifestation of an intention to offer or allocate contributions of funds solicited at incorporation, and of a contract under Article 30.

(3) After the establishment of the mutual company, a fund subscriber solicited at incorporation may not cancel their contribution of funds solicited at incorporation on the grounds of an error, fraud or duress.

(Solicitation of Members)

Article 30-6 (1) The incorporators, pursuant to the provisions of this Subsection, must solicit members in incorporating a mutual company.

(2) One hundred or more members are required for incorporating a mutual company.

(Application for Membership)

Article 30-7 (1) The incorporators must notify those who are seeking to apply for membership in response to the solicitation under paragraph (1) of the preceding Article of the following particulars:

(i) date of the articles of incorporation and the names of the notary who certified them;

(ii) particulars listed in the items of Article 23, paragraph (1) and the items of

- Article 24, paragraph (1);
- (iii) names and addresses of the fund contributors (including the fund subscribers), and the amount of contribution (including the amount to be contributed) by each of the contributors;
 - (iv) number of the members to be solicited at incorporation;
 - (v) any provisions in the articles of incorporation under the second sentence of Article 113 (including as applied mutatis mutandis pursuant to Article 272-18); and
 - (vi) beyond what is set forth in the preceding items, any other particular specified by Cabinet Office Order.
- (2) A person who applies for membership in response to the solicitation under paragraph (1) of the preceding Article must prepare and submit two copies of the signed document stating the following particulars to the incorporators:
- (i) name and address of the person applying for membership; and
 - (ii) type of insurance related to the insurance contract that the person is seeking to conclude with the mutual company.
- (3) A person who files an application under the preceding paragraph may, in lieu of submitting the document prescribed in that paragraph, and pursuant to the provisions of Cabinet Order, provide the particulars that are required to be stated in the document by electronic or magnetic means, with the consent of the incorporators. In this case, the person who has filed the application is deemed to have submitted the document prescribed in that paragraph.
- (4) The provisions of Article 30-5, paragraph (2) apply mutatis mutandis to the manifestation of an intention to apply for membership prior to the establishment of a mutual company. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Organizational Meetings)

- Article 30-8 (1) If all the payments have been completed for contributions comprising the total amount of funds, and the number of persons who have submitted to the incorporators the documents set forth in paragraph (2) of the preceding Article has reached the number set forth in paragraph (1), item (iv) of the same Article (referred to as "completion of payments, etc." in the following paragraph), the incorporators, without delay, must convene a meeting of the prospective members of the mutual company (hereinafter referred to as an "organizational meeting" in this Section).
- (2) After the completion of payments, etc., the incorporators may convene an organizational meeting at any time when they find it necessary.
 - (3) An organizational meeting may adopt resolutions only on the particulars provided for in this Section, the discontinuation of the incorporation of the mutual company, the conclusion of organizational meetings, and other

particulars regarding the incorporation of the mutual company.

- (4) Each prospective member is entitled to one vote at an organizational meeting.
- (5) Resolutions at an organizational meeting are adopted by a three-quarters majority of the votes, provided that at least half of the prospective members are present.
- (6) The provisions of Article 67 (Determination to Convene an Organizational Meeting), Article 68 (excluding items in paragraph (2)) (Notices of Convocation for Organizational Meetings), Articles 70 and Article 71 (Delivery of Voting Forms and Reference Documents for an Organizational Meeting), Article 73, paragraph (4) (Resolutions at Organizational Meetings), Articles 74 through 76 (Proxy Voting, Voting in Writing, and Voting by Electronic or Magnetic Means), Articles 78 through 80 (Accountability of Incorporators, Authority of the Chairperson, and Resolutions for Postponement or Adjournment), and Article 81 (excluding paragraph (4)) (Minutes) of the Companies Act apply mutatis mutandis to organizational meetings of a mutual company; and the provisions of Article 830 (Action for a Declaratory Judgment as to the Absence or Invalidity of a Resolution of a Shareholders' Meeting, etc.), Article 831 (Action to Revoke a Resolution of a Shareholders' Meeting, etc.), Article 834 (limited to the part pertaining to items (xvi) and (xvii)) (Defendant), Article 835, paragraph (1) (Jurisdiction over Actions), Article 836, paragraphs (1) and (3) (Order to Provide Security), Article 837 (Mandatory Consolidation of Oral Arguments, etc.), Article 838 (Persons Affected by a Judgment Being Upheld), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (1) (limited to the part pertaining to item (i), (g)) (Commissioning of Registration by Judicial Decision) of that Act apply mutatis mutandis to an action for a declaratory judgment as to the absence or invalidity of a resolution of a mutual company's organizational meeting and to an action to rescind a resolution of a mutual company's organizational meeting, respectively. In this case, the terms "shareholders at incorporation" in those provisions (excluding Article 67, paragraph (2) and Article 831, paragraph (1) of that Act), and "shareholders at incorporation (excluding shareholders at incorporation who may not exercise their voting rights on all matters which may be resolved at organizational meetings. The same applies in the following Article to Article 71)" in Article 67, paragraph (2) of that Act is deemed to be replaced with "prospective members"; the term "two weeks (or one week if the stock company to be incorporated is not a public company, except if the particulars listed in paragraph (1), item (iii) or item (iv) of the preceding Article are decided, (or if a shorter period of time is provided for in the articles of incorporation if the stock company to be incorporated is a stock company other than a company with board of directors, the shorter period of time))" in Article 68, paragraph (1) of that Act is deemed to be replaced with "two weeks";

the term "in writing in the following cases" in Article 68, paragraph (2) is deemed to be replaced with "in writing"; the term "Article 27, item (v), or Article 59, paragraph (3), item (i)" in Article 68, paragraph (5) is deemed to be replaced with "Article 30-7, paragraph (2), item (i) of the Insurance Business Act"; the term "a shareholder, etc. (or, if the shareholders' meeting, etc. set forth in each such item is an organizational meeting or a class organizational meeting, a shareholder, etc., a shareholder at incorporation, a director at incorporation, or a company auditor at incorporation)" in Article 831, paragraph (1) is deemed to be replaced with "members, directors, auditors, or liquidators (members, directors or liquidators, in the case of a company with an audit and supervisory committee, or members, directors, executive officers or liquidators, in the case of a company with a nominating committee, etc.), or prospective members, directors at incorporation (meaning directors at incorporation as set forth in Article 30-10, paragraph (1) of the Insurance Business Act; hereinafter the same applies in this paragraph) or company auditors at incorporation (meaning the company auditors at incorporation set forth in paragraph (1) of that Article; hereinafter the same applies in this paragraph) of a mutual company"; and the term "a shareholder (or, if the relevant resolution is the resolution of an organizational meeting, shareholders at incorporation) or director (or, in cases of a company with an audit and supervisory committee, directors who are audit and supervisory committee members or other directors; the same applies hereinafter in this paragraph), company auditor or liquidator pursuant to the provisions of Article 346 (1) (including as applied mutatis mutandis pursuant to Article 479 (4)), and if such resolution is a resolution at an organizational meeting or class organizational meeting, this is to include a director at incorporation (if a stock company to be incorporated is a company with an audit and supervisory committee, directors at incorporation who are audit and supervisory committee members at incorporation or other directors at incorporation) or a company auditor at incorporation" in the same paragraph of the Companies Act is deemed to be replaced with "directors (in the case of a company with an audit and supervisory committee, directors who are audit and supervisory committee members or other directors), company auditors, liquidators, prospective members, directors at incorporation (if a mutual company to be incorporated is a company with an audit and supervisory committee, directors at incorporation who are audit and supervisory committee members at incorporation (meaning an audit and supervisory committee member at incorporation prescribed in Article 30-10, paragraph (2) of the Insurance Business Act) or other directors at incorporation) or company auditors at incorporation"; and any other necessary technical replacement of terms is specified by Cabinet Order.

(Reporting of the Particulars of Incorporation)

- Article 30-9 (1) The incorporators must report the particulars of the incorporation of a mutual company at the organizational meeting.
- (2) In the cases listed in the following items, the incorporators must submit or provide at the organizational meeting the document or electronic or magnetic records in which the particulars specified in the relevant items are stated or recorded:
- (i) if the articles of incorporation provide for the particulars listed in the items of Article 24, paragraph (1) (excluding the particulars specified in the items of Article 33, paragraph (10) of the Companies Act in the cases listed in the items as applied mutatis mutandis pursuant to Article 24, paragraph (2)): the content of the report set forth in Article 33, paragraph (4) as applied mutatis mutandis pursuant to Article 24, paragraph (2) that is to be submitted by the inspector under Article 33, paragraph (2) as applied mutatis mutandis pursuant to Article 24, paragraph (2); and
 - (ii) in the case listed in Article 33, paragraph (10), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 24, paragraph (2): the content of the verification provided in Article 33, paragraph (10), item (iii) of that Act as applied mutatis mutandis pursuant to Article 24, paragraph (2).

(Election of Directors at Incorporation)

- Article 30-10 (1) The election of the directors at incorporation (meaning the persons who become directors at the incorporation of a mutual company; the same applies hereinafter), accounting advisors at incorporation (meaning the persons who become accounting advisors at the incorporation of a mutual company; the same applies hereinafter), auditors at incorporation (meaning the persons who become company auditors at the incorporation of a mutual company; the same applies hereinafter) and accounting auditors at incorporation (meaning the persons who become accounting auditors at the incorporation of a mutual company; the same applies hereinafter) must be made by a resolution of the organizational meeting.
- (2) If a mutual company to be incorporated is a company with an audit and supervisory committee, the directors at incorporation under the preceding paragraph must be elected separately for directors at incorporation who are audit and supervisory committee members at incorporation (meaning a person who is to become an audit and supervisory committee member at the time of incorporation of a mutual company; the same applies hereinafter) and other directors at incorporation.
- (3) Three or more persons must be elected as directors at incorporation.
- (4) Three or more persons must be elected as auditors at incorporation if the mutual company to be incorporated is a company with a board of company

auditors (meaning a stock company or mutual company which has a board of company auditors; the same applies hereinafter).

- (5) If a mutual company to be incorporated is a company with an audit and supervisory committee, three or more persons must be elected as directors at incorporation who are audit and supervisory committee members at incorporation.
- (6) A person who is precluded from being a director (in case of a company with an audit and supervisory committee, a director who is an audit and supervisory committee member or other director), accounting advisor, company auditor or accounting auditors of the mutual company after its establishment, pursuant to the provisions of Article 8-2, paragraph (2), Article 53-2, paragraph (1) (including as applied mutatis mutandis pursuant to Article 53-5, paragraph (1)), Article 333, paragraph (1) or (3) of the Companies Act as applied mutatis mutandis pursuant to Article 53-4, or Article 337, paragraph (1) or (3) of that Act as applied mutatis mutandis pursuant to Article 53-7 may not be elected as director at incorporation (in case where the incorporated mutual company is a company with an audit and supervisory committee, a director at incorporation who is an audit and supervisory committee member at incorporation and other director at incorporation), accounting advisor at incorporation, auditor at incorporation or accounting auditors at incorporation, respectively.
- (7) Directors at incorporation, accounting advisors at incorporation, auditors at incorporation or accounting auditors at incorporation who are elected pursuant to the provisions of paragraphs (1) and (2) may be dismissed by a resolution of the organizational meeting at any time prior to the establishment of the mutual company.
- (8) The provisions of Article 47 (Appointment, etc. of Representative Directors at Incorporation) of the Companies Act apply mutatis mutandis to the appointment and removal of the representative director at incorporation (meaning the person who becomes representative director at the incorporation of a mutual company; the same applies hereinafter) of a mutual company (other than a company with a nominating committee, etc.); and the provisions of Article 48 (Appointment of Committee Members at Incorporation) of that Act apply mutatis mutandis to the appointment of committee members at incorporation (meaning the persons who become members of the nominating committee, etc. at the incorporation of a mutual company; the same applies hereinafter) of a mutual company (limited to a company with a nominating committee, etc.), the election of its executive officers at incorporation (meaning the persons who become executive officers at the incorporation of a mutual company; the same applies hereinafter) and the appointment of its representative executive officer at incorporation (meaning the person who becomes the representative executive officer at the incorporation of a mutual

company; the same applies hereinafter), and the removal and dismissal of those persons, respectively. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Investigations by Directors at Incorporation)

- Article 30-11 (1) The directors at incorporation (meaning the directors at incorporation and auditors at incorporation where the mutual company to be incorporated is a company with auditors (meaning a stock company or mutual company that has company auditors; the same applies hereinafter)) must investigate the following particulars without delay after their election:
- (i) that, with respect to the properties contributed in kind, etc. in the cases listed in Article 33, paragraph (10), item (i) or (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 24, paragraph (2) (if listed in Article 33, paragraph (10), item (ii) as applied mutatis mutandis pursuant to Article 24, paragraph (2), limited to the securities referred to in that item), the value stated or recorded in the articles of incorporation is reasonable;
 - (ii) that the verification provided for in Article 33, paragraph (10), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 24, paragraph (2) is appropriate;
 - (iii) that the funds solicited at the incorporation of the mutual company have been fully subscribed for;
 - (iv) that the payments pursuant to the provisions of Article 30-3, paragraph (1) have been completed;
 - (v) that the number of prospective members is not less than 100; and
 - (vi) that, in addition to the particulars listed in the preceding five items, the procedures for the incorporation of the mutual company do not violate laws and regulations or the articles of incorporation.
- (2) The provisions of Article 93, paragraphs (2) and (3) (Investigation by Directors at Incorporation), and Article 94 (Special Provisions in Case Directors at Incorporation are Incorporators) of the Companies Act apply mutatis mutandis to the investigation under the preceding paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Amendments to the Articles of Incorporation at Incorporation)

- Article 30-12 (1) The incorporators may not make any amendment to the articles of incorporation once the notice under Article 29, paragraph (2) has been given, notwithstanding the provisions of Article 33, paragraph (9) of the Companies Act as applied mutatis mutandis pursuant to Article 24, paragraph (2).
- (2) Notwithstanding the provisions of Article 30, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 23, paragraph (4), the

articles of incorporation may be amended by a resolution at an organizational meeting.

- (3) If an organizational meeting has adopted a resolution to amend the articles of incorporation in a manner that changes any of the particulars listed in the items of Article 24, paragraph (1), the incorporators may resign from their offices, provided that they do so within two weeks of the adoption of the resolution.

(Timing of Establishment)

Article 30-13 (1) A mutual company is established by registering its incorporation at the locality of its principal office.

- (2) A person who has submitted the document set forth in Article 30-7, paragraph (2) to the incorporators, without delay following the establishment of the mutual company and after the mutual company has received the license prescribed in Article 3, paragraph (1) or made a registration under Article 272, paragraph (1), must apply for an insurance contract with the mutual company.

(Application, Mutatis Mutandis, of the Companies Act)

Article 30-14 The provisions of Part II, Chapter I, Section 8 (excluding Article 52, paragraph (2), item (ii) and Article 52-2) (Liability of the Incorporators) and Article 103, paragraph (4) (Liability of the Incorporators) of the Companies Act apply mutatis mutandis to the liabilities of incorporators, directors at incorporation or auditors at incorporation of a mutual company. In this case, the term "(in this paragraph and in item (ii), excluding those who contributed in kind under Article 28, item (i) or the assignor of the properties under item (ii) of the same Article)" in Article 52, paragraph (2) (Liability for Insufficiency of Value of Properties Contributed) of that Act is deemed to be replaced with "(excluding the assignor of the properties under Article 24, paragraph (1), item (i) of the Insurance Business Act)"; the term "Article 28, item (i) or (ii)" in Article 52, paragraph (2), item (i) is deemed to be replaced with "Article 24, paragraph (1), item (i) of the Insurance Business Act"; the term "Article 33, paragraph (10), item (iii)" in Article 52, paragraph (3) is deemed to be replaced with "Article 33, paragraph (10), item (iii) as applied mutatis mutandis pursuant to Article 24, paragraph (2) of the Insurance Business Act"; and in Article 103, paragraph (4) of that Act, the phrase "In cases where the solicitation under Article 57, paragraph (1) is carried out", is deemed to be deleted, and the terms "the solicitation" and "the preceding paragraph" are deemed to be replaced with "solicitation under Article 27 or Article 30-6, paragraph (1) of the Insurance Business Act" and "(excluding Article 52, paragraph (2), item (ii) and Article 52-2)", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

(Actions to Invalidate Incorporation)

Article 30-15 The provisions of Article 828, paragraph (1) (limited to the part involving item (i)) and paragraph (2) (limited to the part pertaining to item (i)) (Actions to Invalidate Acts Concerning the Organization of a Company), Article 834 (limited to the part involving item (i)) (Defendant), Article 835, paragraph (1) (Jurisdiction over Actions), Article 836, paragraphs (1) and (3) (Order to Provide Security), Articles 837 through 839 (Mandatory Consolidation of Oral Arguments, etc., Persons Affected by a Judgment Being Upheld, Effects of a Judgment of Invalidity, Revocation or Rescission), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (1) (limited to the part involving item (i), (a)) (Commissioning of Registration by a Judicial Decision) of the Companies Act apply mutatis mutandis to an action to invalidate the incorporation of a mutual company. In this case, the term "a shareholder, etc. (meaning a shareholder, director or liquidator (or, for a company with company auditors, it means a shareholder, director, company auditor or liquidator, and for a company with a nominating committee, etc., it means a shareholder, director, executive officer or liquidator); hereinafter the same applies in this Section)" in Article 828, paragraph (2), item (i) of that Act is deemed to be replaced with "members, directors, liquidators, in case of a company with an audit and supervisory committee, or members, directors or liquidators (or members, directors, executive officers, or liquidators, in the case of a company with an audit and supervisory committee)"; any other necessary technical replacement of terms is specified by Cabinet Order.

Subsection 3 Rights and Obligations of Members

(Obligations of Members)

Article 31 The obligations of a member are limited to the amount of their insurance premium payments.

(Notices and Demands)

Article 32 (1) It is sufficient for any notice or demand to an applicant for membership, or member of a mutual company to be sent to the place or contact address of which the applicant or member has notified the incorporators or mutual company; provided, however, that this does not apply to a notice or demand on any particular pertaining to the insurance relationship.

(2) The notice or demand in the main text of the preceding paragraph is deemed to have arrived at the time when the notice or demand would normally have arrived.

(3) The provisions of the main text of paragraph (1) and the preceding paragraph apply mutatis mutandis to the cases if a document is delivered to the members in giving a notice under Article 299, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) or if the particulars that are required to be stated in the document are provided by electronic or magnetic means. In this case, the term "to have arrived" in the preceding paragraph is deemed to be replaced with "to have been effected by delivery of the document or provision of the particulars by electronic or magnetic means"; and any other necessary technical replacement of terms is specified by Cabinet Order.

(Members List)

Article 32-2 (1) A mutual company, pursuant to the provisions of Cabinet Office Order, must prepare a members list in which it states or records the particulars specified by Cabinet Office Order as particulars required for the members list.

(2) A mutual company must keep its members list at its principal office.

(3) A member or creditor may make the following requests at any time during the business hours of the mutual company. In this case, the member or creditor must disclose the reason for their request:

(i) if the members list has been prepared in writing, a request to inspect or copy the written document; or

(ii) if the members list has been prepared in the form of an electronic or magnetic record, a request to inspect or copy anything that shows the particulars recorded in the electronic or magnetic record in a means specified by Cabinet Office Order.

(4) A mutual company may not reject a request made under the preceding paragraph unless it falls under any of the following cases:

(i) the member or creditor making the request (hereinafter referred to as "requestor" in this paragraph) does so for the purpose other than of conducting an investigation in connection with securing or exercising their rights;

(ii) the requestor makes a request for the purpose of precluding the mutual company from performing its business or harming the common interest of the members;

(iii) the requestor makes a request for the purpose of informing a third party of any fact learned by inspecting or copying the members list for a profit; or

(iv) the requestor has, within the past two years, informed a third party of any fact learned by inspecting or copying the members list for a profit.

(Reference Date)

Article 33 (1) For the purpose of specifying the persons who exercise their rights as members, a mutual company may deem the persons who are members on a certain date within four months prior to the date of exercising the rights as the members who are to enforce the rights.

(2) A mutual company that has fixed the "certain date" set forth in the preceding paragraph must give public notice of that date no later than two weeks before the date; provided, however, that this does not apply to the cases in which the date is designated by the articles of incorporation.

(3) The rights set forth in paragraph (1) do not include any right provided for otherwise in this Act or the rights specified by Cabinet Order such as the right to distribution of surplus.

(Benefits Provided for the Exercise of the Rights of a Member or Representative Member)

Article 33-2 (1) A mutual company must not provide a person with economic benefits for the exercise of their member's rights or representative member's rights (limited to benefits given on the account of the mutual company or its substantive subsidiary companies (meaning a corporation whose management is deemed to be controlled by the mutual company pursuant to the provisions of Cabinet Office Order, such as a stock company in which the mutual company holds the majority of all shareholders' voting rights; the same applies hereinafter)).

(2) The provisions of Article 120, paragraphs (2) through (5) (Benefits Provided for the Exercise of a Shareholder's Right) of the Companies Act apply mutatis mutandis to the case set forth in the preceding paragraph; and the provisions of Part VII, Chapter II, Section 2 (excluding Article 847, paragraph (2), Article 847-2, Article 847-3, Article 849, paragraph (2), and paragraphs (6) through (11), Article 851, paragraph (1), item (i) and paragraph (2), and Article 853, paragraph (1), items (ii) and (iii)) (Liability Actions, etc. Against a Stock Company) of that Act apply mutatis mutandis to an action for the return of benefits under Article 120, paragraph (3) of that Act as applied mutatis mutandis pursuant to this paragraph, respectively. In this case, the term "shareholder, etc." and "stock company, etc." in these provisions (excluding Article 847-4, paragraph (2), Article 848 and Article 849, paragraph (3) of that Act) are deemed to be replaced with "members" and "mutual company", respectively; the term "paragraph (1)" in Article 120, paragraphs (3) and (4) of that Act is deemed to be replaced with "Article 33-2, paragraph (1) of the Insurance Business Act"; the term "all shareholders" in Article 120, paragraph (5) is deemed to be replaced with "all members"; the term "A shareholder (excluding a holder of shares less than one unit who is unable to exercise rights pursuant to the provisions of the articles of incorporation) having the shares"

in Article 847, paragraph (1) (Liability Actions, etc. by Shareholders) of that Act is deemed to be replaced with "person who has been a member"; the term "a shareholder, etc. (meaning a shareholder, a qualified former shareholder or a shareholder of an ultimate, wholly owning parent company, etc.; the same applies hereinafter in this Section)" and "the shareholder, etc." in Article 847-4, paragraph (2) (Court Costs for an Action Pursuing Liability) is deemed to be replaced with "member" and "the member", respectively; the phrase "the stock company or the wholly owned subsidiary company resulting from the share exchange, etc. (hereinafter referred to as "stock company, etc." in this Section)" in Article 848 (Jurisdiction of an Action) of that Act is deemed to be replaced with "mutual company"; the phrase "relating to an action for pursuing liability, etc. (in cases of a qualified former shareholder, limited to one related to the liabilities or obligations for which the fact causing them occurs by the time when the act listed in the items of Article 847-2 (1) becomes effective; in cases of a shareholder of an ultimate, wholly owning parent company, etc., limited to the action pursuing specific liability)" in Article 849, paragraph (1) (Intervention) of that Act is deemed to be replaced with "relating to an action for pursuing liability, etc."; the phrase "In order for a stock company, etc., wholly owning parent company resulting from the share exchange, etc., or ultimate, wholly owning parent company, etc. to intervene in a suit relating to an action for pursuing liability, etc. to assist a director (excluding an audit and supervisory committee member and audit committee member), executive officer, liquidator or a person who was formerly in such a position of a stock company that is the relevant stock company, etc., wholly owned subsidiary company resulting from the share exchange, etc. of the relevant wholly owning parent company resulting from the share exchange, etc., or wholly owned subsidiary company, etc. of the relevant ultimate, wholly owning parent company, etc." in paragraph (3) of that Article is deemed to be replaced with "In order to intervene in a suit relating to an action for pursuing liability, etc. to assist a director (excluding an audit and supervisory committee member and audit committee member), executive officer, liquidator or a person who was formerly in such a position of a mutual company", and any other necessary technical replacement of terms is specified by Cabinet Order.

(Grounds for Withdrawal)

Article 34 (1) A member is to withdraw their membership on any of the following grounds:

- (i) termination of the insurance relationship; or
- (ii) occurrence of grounds specified in the articles of incorporation.

(2) In the event of a member's death (excluding where the death falls under the any of the grounds set forth in the items of the preceding paragraph) or for a

member that has ceased to exist in a merger, the heir or any other general successor assumes the right and obligations of the member.

(3) If there are two or more general successors for the general successor referred to in the preceding paragraph (meaning general successors by inheritance and limited to those who have not made the payment of insurance premiums in whole or in part; hereinafter the same applies in this paragraph), the general successors assume the obligations of making the insurance premium payments jointly and severally.

(4) If there are two or more general successors (limited to general successors by inheritance; hereinafter the same applies in this paragraph), the general successors may not exercise the member's rights that they have assumed, unless they designate one person to exercise the rights.

(Claims for a Refund)

Article 35 A withdrawn member may, pursuant to the terms of the articles of incorporation or insurance contract, claim refund of the money associated with their rights; provided, however, that this does not apply to the cases in which the withdrawn member is replaced by another person as a member.

(Prescription)

Article 36 If a claim for refund set forth in the preceding Article has not been exercised for three years from the time when it becomes exercisable, it is extinguished by prescription.

Subsection 4 Administrative Organs

Division 1 General Meeting

(Voting Rights)

Article 37 Each member is entitled to one vote at a general meeting.

(Authority of the General Meeting)

Article 37-2 The general meeting may resolve only the particulars provided for in this Act and the particulars provided for in the articles of incorporation.

(Resolutions of a General Meeting)

Article 37-3 (1) Unless otherwise provided for in this Act or the articles of incorporation, a resolution of the general meeting is adopted by the majority vote of the attending members at a session if at least half of the members are present.

(2) A general meeting may not adopt a resolution on any other particular than particulars listed in Article 298, paragraph (1), item (ii) of the Companies Act

as applied mutatis mutandis pursuant to Article 41, paragraph (1); provided, however, that this does not apply to a request for the appointment of a person set forth in Article 316, paragraph (1) or (2) of that Act as applied mutatis mutandis pursuant to Article 41, paragraph (1), or for the attendance of the accounting auditors set forth in Article 398, paragraph (2) of that Act as applied mutatis mutandis pursuant to Article 53-23.

(Right to Demand the Convocation of the General Meeting)

Article 38 (1) Members who have consecutively been a member for the preceding six months or more (or, if shorter period is prescribed in the articles of incorporation, such period) that account for not less than three thousandths (or if lesser proportion is prescribed in the articles of incorporation, that proportion) of all members, or three thousand (or if smaller number is prescribed in the articles of incorporation) or more members of a mutual company (or, in small amount and short term insurer that is a mutual company specified by Cabinet Order (hereinafter referred to as a "specified mutual company"), members equal to or exceeding the number specified by Cabinet Order), may, by showing matters which are a purpose for a general meeting (limited to matters on which the general meeting may adopt a resolution; hereinafter the same applies in this Division) and the reason for convocation, demand that the directors convene a general meeting.

(2) In the following cases, members who have made a demand pursuant to the provisions of the preceding paragraph may convene a general meeting with the permission of the court:

(i) if the convocation procedures are not taken without delay after the demand pursuant to the provisions of the preceding paragraph is made; or

(ii) if the notice for the convocation of the general meeting which designates, as the date of the general meeting, a date falling within the period of eight weeks (or if any period less than that is provided for in the articles of incorporation, that period) from the day the demand pursuant to the provisions of the preceding paragraph is made, is not given.

(3) The provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 871 (Appending of Reasons), Article 874 (limited to the part involving item (iv)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the preceding paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Right to Submit Proposals)

- Article 39 (1) Members who have been a member consecutively for the preceding six months or more (or, if a shorter period is prescribed in the articles of incorporation, that period) that account for no less than one thousandth (or if lesser proportion is prescribed in the articles of incorporation, that proportion) of all members, or one thousand (or in case if a smaller number is prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual company, members equal to or exceeding the number prescribed by Cabinet Order), may demand that the directors include certain items (limited to matters on which the general meeting may adopt a resolution) in the agenda for a general meeting. In this case, the demand must be submitted no later than eight weeks (or any shorter period prescribed by the articles of incorporation) prior to the date of the general meeting.
- (2) A member may submit a proposal at a general meeting with respect to any agenda item for the meeting; provided, however, that this does not apply to cases in which the proposal is in violation of any laws or regulations, the articles of incorporation, or if three years have not elapsed since the day on which a proposal that is substantially the same has not been approved by at least one tenth of the votes of the members (or any smaller proportion prescribed by the articles of incorporation) of the general meeting.
- (3) Members accounting for at least one thousandth (or any smaller proportion prescribed by the articles of incorporation) of all members, or one thousand (or any smaller number prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in paragraph (1)), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation), may demand the directors that, no later than eight weeks (or any shorter period prescribed by the articles of incorporation) prior to the date of the general meeting, members be notified of the outline of any proposal to be submitted by the relevant member with respect to an agenda item of the meeting (or, if a notice is to be given under Article 299, paragraph (2) (excluding the items (i) and (ii)) or (3) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1), the outline to be stated in, or recorded on, that notice); provided, however, that this does not apply to the cases where the proposal is in violation of any laws or regulations or the articles of incorporation, or where three years have not elapsed since the day on which a proposal that is substantially the same has not been approved by at least one tenth of the membership (or any smaller proportion prescribed by the articles of incorporation) in the general meeting.

(Right to Demand the Election of Inspector for a General Meeting)

Article 40 (1) A mutual company or members that account for at least one thousandth (or any smaller proportion prescribed by the articles of incorporation) of all members, or one thousand (or any smaller number prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in paragraph (1) of the preceding Article), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation), may file a petition with the court, prior to a session of the general meeting, for the election of an inspector who is to investigate the convocation procedures and method of resolution of the general meeting.

(2) The provisions of Article 306, paragraphs (3) through (7) (Election of Inspector on Calling Procedures of Shareholders' Meeting) and Article 307 (Determination by The Court of the Calling of Shareholders' Meeting) of the Companies Act apply mutatis mutandis to the preceding paragraph. In this case, the term "preceding two paragraphs" in Article 306, paragraph (3) of that Act is deemed to be replaced with "Article 40, paragraph (1) of the Insurance Business Act"; the term "stock company" in Article 306, paragraphs (4) and (7) is deemed to be replaced with "mutual company"; the term "shareholders' meeting" in Article 307 of that Act is deemed to be replaced with "general meeting"; and the term "shareholders" in Article 307, paragraph (1), item (ii) of that Act is deemed to be replaced with "members"; any other necessary technical replacement of terms is specified by Cabinet Order.

(3) The provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (1) (limited to the part pertaining to item (i)) (Hearing of Statements), Article 871 (Appending of Reasons), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the preceding two paragraphs. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Application, Mutatis Mutandis, of the Companies Act)

Article 41 (1) The provisions of Article 296 (Convocation of Shareholders Meetings), Article 298 (excluding the proviso to paragraphs (2) and (3)) (Determination to Convoke a Shareholders Meeting), Article 299 (excluding the items of paragraph (2)) (Notice of Convocation for a Shareholders Meeting), Articles 300 to 302 (Omission of Convocation Procedures, Delivery of Voting Forms and Reference Documents for a Shareholders Meeting), Articles 310

through 312 (Proxy Voting, Voting in Writing, Voting by Electronic or Magnetic Means), Articles 314 to 317 (Accountability of Directors, etc., Authority of Chairperson, Investigation of Materials Submitted to the Shareholders Meeting, Resolution for Postponement or Adjournment), Article 318 (excluding paragraph (5)) (Minutes), Article 319 (excluding paragraph (4)) (Omission of Resolution of Shareholders' Meetings) and Article 320 (Omission of Reports to Shareholders Meetings) of the Companies Act apply mutatis mutandis to the general meeting of a mutual company. In this case, the terms "stock company" and "company with board of directors" in those provisions are deemed to be replaced with "mutual company"; the term "head office" in those provisions are deemed to be replaced with "principal office"; the term "operating hours" in those provisions is deemed to be replaced with "business hours"; the term "annual shareholders' meeting" in Article 296, paragraph (1) of that Act is deemed to be replaced with "annual general meeting"; the term "paragraph (4) of the following Article" in Article 296, paragraph (3), and the term "paragraph (4) of the preceding Article" in Article 298, paragraphs (1) and (4) of that Act are deemed to be replaced with "Article 38, paragraph (2) and Article 50, paragraph (2) of the Insurance Business Act"; the term "(excluding shareholders who may not exercise their voting rights on all matters which may be resolved at a shareholders' meetings. The same applies in the following Article to Article 302)" in Article 298, paragraph (2) is deemed to be deleted; the term "two weeks (or one week if the stock company is not a public company, except if the particulars listed in paragraph (1), item (iii) or (iv) of the preceding Article are decided, (or if a shorter period of time is provided for in the articles of incorporation if the stock company is a stock company other than the company with board of directors, that shorter period of time))" in Article 299, paragraph (1) of that Act is deemed to be replaced with "two weeks"; the term "in the following cases" in Article 299, paragraph (2) is deemed to be deleted; the term "reference documents for a shareholders meeting" in Articles 301 and 302 of that Act is deemed to be replaced with "reference documents for a general meeting"; the term "shareholders (excluding the shareholders who may not exercise their voting rights on all matters which may be resolved at the shareholders' meeting under the preceding paragraph. The same applies hereinafter in paragraph (4) of the following Article and in Article 312, paragraph (5))" in Article 310, paragraph (7) of that Act is deemed to be replaced with "members"; the term "Article 297" in Article 316, paragraph (2) of that Act is deemed to be replaced with "Article 38 of the Insurance Business Act"; the term "branch offices" in Article 318, paragraph (3) of that Act is deemed to be replaced with "secondary offices"; and the term "all shareholders (limited to those who may exercise their voting rights with respect to the particular)" in Article 319, paragraph (1) of that Act is deemed to be replaced

with "all members"; any other necessary technical replacement of terms is specified by Cabinet Order.

- (2) The provisions of Article 830 (Action for a Declaratory Judgment as to the Absence or Invalidity of a Resolution of a Shareholders Meeting), Article 831 (Action to Revoke a Resolution of a Shareholders Meeting), Article 834 (limited to the part involving items (xvi) and (xvii)) (Defendant), Article 835, paragraph (1) (Jurisdiction over Actions), Article 836, paragraphs (1) and (3) (Order to Provide Security), Article 837 (Mandatory Consolidation of Oral Arguments), Article 838 (Persons Affected by a Judgment Being Upheld), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (1) (limited to the part involving item (i), (g)) (Commissioning of Registration by a Judicial Decision) of the Companies Act apply mutatis mutandis to an action for a declaratory judgment as to the absence or invalidity of a resolution of the general meeting of a mutual company and to an action to rescind a resolution of the general meeting of a mutual company. In this case, the term "a shareholder, etc. (or, if the shareholders meeting, etc. set forth in each such item is an organizational meeting or a class organizational meeting, a shareholder, etc., a shareholder at incorporation, a director at incorporation or a company auditor at incorporation)" in Article 831, paragraph (1) of that Act is deemed to be replaced with "members, directors, company auditors or liquidators of a mutual company (members, directors or liquidator, in the case of a company with an audit and supervisory committee, or members, directors, executive officers or liquidators, in the case of a company with a nominating committee, etc.)"; and the term "a shareholder (or, if the relevant resolution is the resolution of an organizational meeting, shareholders at incorporation) or director (or, in cases of a company with audit and supervisory committee, directors who are audit and supervisory committee members or other directors; the same applies hereinafter in this paragraph), company auditor or liquidator pursuant to the provisions of Article 346 (1) (including cases where it is applied mutatis mutandis pursuant to Article 479 (4)), and if such resolution is the resolution of an organizational meeting or class organizational meeting, it is to include a director at incorporation (if a stock company to be incorporated is a company with an audit and supervisory committee, directors at incorporation who are audit and supervisory committee members at incorporation or other directors at incorporation) or a company auditor at incorporation)" in Article 831, paragraph (1) of that Act is deemed to be replaced with "members or directors (or, in the case of a company with an audit and supervisory committee, directors who are audit and supervisory committee members or other directors; hereinafter the same applies in this paragraph), company auditors or liquidators (including a person who assumes the rights and obligations of a

director, company auditor or liquidator pursuant to the provisions of Article 53-12, paragraph (1) of the Insurance Business Act (including the cases where it is applied mutatis mutandis pursuant to Article 180-5, paragraph (4) of that Act)"; any other necessary technical replacement of terms is specified by Cabinet Order.

Division 2 Member Representatives Meeting

(Establishment of a Member Representatives Meeting and Representative Members' Terms of Office)

Article 42 (1) A mutual company may, pursuant to the provisions of its articles of incorporation, establish an administrative organ composed of the representative members elected from among its members (hereinafter referred to as "member representatives meeting"), in lieu of a general meeting.

(2) The articles of incorporation set forth in the preceding paragraph must specify the particulars prescribed by Cabinet Office Order, such as the number, term of office, and method of election of representative members.

(3) The term of office of a representative member must not exceed four years.

(Voting Rights of Representative Members)

Article 43 Each representative member is entitled to one vote at member representatives meetings.

(Authority of the Member Representatives Meeting)

Article 43-2 (1) The member representatives meeting may resolve only the particulars provided for in this Act and the particulars provided for in the articles of incorporation.

(2) Any provisions in the articles of incorporation to the effect that the directors, executive officers, board of directors or any organ other than the general meeting or member representatives meeting may decide on a particular which requires a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting) pursuant to the provisions of this Act are null and void.

(Method of Adopting Resolutions of the Member Representatives Meeting)

Article 44 (1) Unless otherwise provided for in this Act or the articles of incorporation, a resolution at a member representatives meeting is adopted by the majority vote of the attending representative members at a session if at least half of the representative members are present; provided, however, that the number of the representative members required to attend the member representatives meeting is not to be less than one-third of the total number of

representative members, notwithstanding the provisions of the articles of incorporation.

- (2) The member representatives meeting may not adopt a resolution on any particulars other than particulars listed in Article 298, paragraph (1), item (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1); provided, however, that this does not apply to the election of the person set forth in Article 316, paragraph (1) or (2) of that Act as applied mutatis mutandis pursuant to Article 49, paragraph (1), or to the request of the attendance of accounting auditors under Article 398, paragraph (2) of that Act as applied mutatis mutandis pursuant to Article 53-23.

(Exercise of Voting Rights by Proxy)

Article 44-2 (1) A representative member, may exercise their voting right by proxy if the articles of incorporation include any provisions to that effect. In this case, the representative member is to designate only one proxy, and the representative member or proxy must submit a document certifying the authority of proxy to the mutual company.

- (2) Only a representative member may become a proxy referred to in the preceding paragraph.

(3) The provisions of Article 310 (excluding paragraphs (1) and (5)) (Exercise of Voting Rights by Proxy) of the Companies Act apply mutatis mutandis to paragraph (1). In this case, the term "preceding paragraph" in paragraph (2) of that Article and the term "paragraph (1)" in paragraph (3) of that Article are deemed to be replaced with "Article 44-2, paragraph (1) of the Insurance Business Act"; the term "stock company" in Article 310, paragraphs (3), (4), (6) and (7) is deemed to be replaced with "mutual company"; the term "Article 299, paragraph (3)" in Article 310, paragraph (4) is deemed to be replaced with "Article 299, paragraph (3) as applied mutatis mutandis pursuant to Article 49, paragraph (1) of the Insurance Business Act"; and the phrase "shareholders (excluding the shareholders who may not exercise their voting rights on all matters which may be resolved at the shareholders' meeting under the preceding paragraph. The same applies in paragraph (4) of the following Article and in Article 312, paragraph (5))" in Article 310, paragraph (7) is deemed to be replaced with "members"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Right to Demand Convocation of Member Representatives Meeting)

Article 45 (1) Members that account for at least three thousandths (or any smaller proportion prescribed by the articles of incorporation) of all members, or three thousand (or any smaller number prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual

company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 38, paragraph (1)), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation), or nine (or any smaller number prescribed by the articles of incorporation) or more representative members may demand the directors to convene a member representatives meeting by indicating the proposed agenda for the meeting (limited to particulars on which the member representatives meeting may adopt a resolution; hereinafter the same applies in this Division) and the reason for the convocation.

- (2) In the following cases, a member or a representative member who made a demand pursuant to the provisions of the preceding paragraph may convene a member representatives meeting with the permission of the court:
- (i) if the convening procedure is not taken without delay after a demand pursuant to the provisions of the preceding paragraph is made; or
 - (ii) if a notice for the convocation of a member representatives meeting which designates, as the date of the member representatives meeting, a date falling within the period of eight weeks (or any shorter period prescribed by the articles of incorporation) from the day the demand pursuant to the provisions of the preceding paragraph is made, is not given.
- (3) The provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 871 (Appending of the Reason), Article 874 (limited to the part involving item (iv)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the preceding paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Right to Submit Proposals)

Article 46 (1) Members that account for at least one thousandth (or any smaller proportion prescribed by the articles of incorporation) of all members, or one thousand (or any smaller number prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 39, paragraph (1)), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation), or three (or any smaller number prescribed by the articles of incorporation) or more representative members may demand the directors to include certain items (limited to matters on which the member representatives meeting may adopt a resolution) in the agenda for the member

representatives meeting. In this case, the demand must be submitted no later than eight weeks (or any shorter period prescribed by the articles of incorporation) prior to the date of the member representatives meeting.

- (2) Representative members may submit a proposal at a member representatives meeting with respect to any agenda item for the meeting; provided, however, that this does not apply to cases where the proposal is in violation of any laws or regulations or the articles of incorporation, or if three years have not elapsed since the day on which a proposal that is substantially the same has not been approved at a member representatives meeting by at least one tenth of the representative members (or any smaller proportion prescribed by the articles of incorporation).
- (3) Members that account for at least one thousandth (or any smaller proportion prescribed by the articles of incorporation) of all members, or one thousand (or any smaller number prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 39, paragraph (1)), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation), or three (or any smaller number prescribed by the articles of incorporation) or more representative members may demand the directors that, no later than eight weeks (or any shorter period prescribed by the articles of incorporation) prior to the date of the member representatives meeting, members be notified of the outline of any proposal to be submitted with respect to an agenda item of the meeting (or, if a notice is to be given under Article 299, paragraph (2) (excluding the items) or (3) of the Companies Act as applied mutatis mutandis pursuant to Article 49, paragraph (1), the outline to be stated in, or recorded on, that notice); provided, however, that this does not apply to the cases in which the proposal is in violation of any laws or regulations or the articles of incorporation, or if three years have not elapsed since the day on which a proposal that is substantially the same has not been approved at a member representatives meeting by at least one tenth of the representative members (or any smaller proportion prescribed by the articles of incorporation).

(Right to Demand the Election of an Inspector for Member Representatives Meeting)

Article 47 (1) A mutual company, members that account for at least one thousandth (or any smaller proportion prescribed by the articles of incorporation) of all members, or one thousand (or any smaller number prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual company, members equal to or exceeding

the number specified by Cabinet Order set forth in Article 39, paragraph (1)), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation), or three (or any smaller number prescribed by the articles of incorporation) or more representative members may file a petition with the court, prior to the session of the member representatives meeting, for the election of an inspector who is to investigate the convocation procedures and method of resolution related to the meeting.

- (2) The provisions of Article 306, paragraphs (3) through (7) (Election of an Inspector for the Convocation Procedures of a Shareholders Meeting) and Article 307 (Determination by the Court of the Calling of Shareholders Meeting) of the Companies Act apply mutatis mutandis to the preceding paragraph. In this case, the term "preceding two paragraphs" in Article 306, paragraph (3) of that Act is deemed to be replaced with "Article 40, paragraph (1) of the Insurance Business Act"; the term "stock company" in Article 306, paragraphs (4) and (7) is deemed to be replaced with "mutual company"; the term "shareholders' meeting" in Article 307 of that Act is deemed to be replaced with "member representatives meeting"; and the term "shareholders" in paragraph (1), item (ii) of that Article is deemed to be replaced with "representative members"; any other necessary technical replacement of terms is specified by Cabinet Order.
- (3) The provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (1) (limited to the part involving item (i)) (Hearing of Statements), Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the preceding two paragraphs. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Delivery of Reference Documents and Voting Forms for Member Representatives Meetings)

Article 48 (1) The directors (or, if members or representative members convene the member representatives meeting pursuant to the provisions of Article 45, paragraph (2), the members or representative members; hereinafter the same applies in this Article), when giving a notice under Article 299, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms, must deliver the representative members documents stating the information that should serve as a reference with regard to the exercise of voting rights

pursuant to the provisions of Cabinet Office Order.

- (2) If the directors give notices by electronic or magnetic means referred to in Article 299, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms to the representative members who have given consent under the same paragraph, the directors may, in lieu of delivering the documents pursuant to the provisions of the preceding paragraph, provide the particulars that are required to be stated in the documents by electronic or magnetic means; provided, however, that if requested by any representative member, they must deliver the documents to the representative member.
- (3) If the matters listed in Article 298, paragraph (1), item (iii) of the Companies Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms are decided, the directors, when giving a notice under Article 299, paragraph (1) of that Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms, must deliver to the representative members documents to be used by the representative members to exercise their voting rights (hereinafter referred to as "voting forms" in this Article) pursuant to the provisions of Cabinet Office Order.
- (4) If the directors give a notice by electronic or magnetic means referred to in Article 299, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms to the representative members who have given consent under the same paragraph, the directors may, in lieu of delivering the voting forms pursuant to the provisions of the preceding paragraph, provide the particulars that are required to be stated in the documents by electronic or magnetic means; provided, however, that if requested by any representative member, the directors must deliver the voting form to the representative member.
- (5) If the particulars listed in Article 298, paragraph (1), item (iv) of the Companies Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms are decided, the directors, when giving a notice to the representative members who have given consent under Article 299, paragraph (3) of the Companies Act by electronic or magnetic means referred to in the same paragraph, must provide the representative members with the particulars that are required to be stated in the voting forms by electronic or magnetic means pursuant to the provisions of Cabinet Office Order.
- (6) In the cases prescribed in the preceding paragraph, if any representative member who has not given their consent under Article 299, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to paragraph (1) of

the following Article following the deemed replacement of terms requests, no later than one week prior to the date of the member representatives meeting, to be provided the particulars that are required to be stated in the voting forms by electronic or magnetic means, the directors must immediately provide the particulars to the representative member by electronic or magnetic means pursuant to the provisions of Cabinet Office Order.

(Application, Mutatis Mutandis, of the Companies Act)

Article 49 (1) The provisions of Article 296 (Convocation of Shareholders' Meetings), Article 298 (excluding paragraphs (2) and (3)) (Determination to Convoke a Shareholders' Meeting), Article 299 (excluding paragraph (2), items (i) and (ii)) (Notice of Calling of Shareholders' Meetings), Article 300 (Omission of Calling Procedures), Article 311 (Voting in Writing), Article 312 (Voting by Electronic or Magnetic Method), Articles 314 through 317 (Accountability of Directors, etc., Authority of Chairperson, Investigation of Materials Submitted to a Shareholders' Meeting, Resolution for Postponement or Adjournment) and Article 318 (excluding paragraph (5)) (Minutes) of the Companies Act apply mutatis mutandis to the member representatives meeting. In this case, the terms "stock company" and "company with board of directors" in those provisions are deemed to be replaced with "mutual company"; the term "head office" in those provisions is deemed to be replaced with "principal office"; the term "operating hours" in those provisions is deemed to be replaced with "business hours"; the term "shareholder" in those provisions (excluding Article 298, paragraph (1) (excluding items), Article 298, paragraph (4), Article 311, paragraph (4), Article 312, paragraph (5), Article 314 and Article 318, paragraph (4)) is deemed to be replaced with "representative member"; the term "annual shareholders' meeting" in Article 296, paragraph (1) of that Act is deemed to be replaced with "annual member representatives meeting"; the term "paragraph (4) of the following Article" in Article 296, paragraph (3) is deemed to be replaced with "Article 45, paragraph (2) of the Insurance Business Act"; the terms "paragraph (4) of the preceding Article" and "shareholder" in Article 298, paragraph (1) (excluding the items) and Article 298, paragraph (4) of that Act are deemed to be replaced with "Article 45, paragraph (2) of the Insurance Business Act" and "member or representative member", respectively; the phrase "two weeks (or one week if the stock company is not a public company, except if the particulars listed in items (iii) and (iv), paragraph (1) of the preceding Article are decided, (or if a shorter period of time is provided for in the articles of incorporation if the stock company is a stock company other than the company with board of directors, that shorter period of time))" in Article 299, paragraph (1) of that Act is deemed to be replaced with "two weeks"; the term "in the following cases" in

Article 299, paragraph (2) is deemed to be deleted; the term "shareholders" in Article 311, paragraph (4) and Article 312, paragraph (5) of that Act is deemed to be replaced with "members"; the terms "by the shareholders" and "common interest of the shareholders" in Article 314 of that Act are deemed to be replaced with "by the representative members" and "common interest of the representative members", respectively; the term "Article 297" in Article 316, paragraph (2) of that Act is deemed to be replaced with "Article 45 of the Insurance Business Act"; the term "branch offices" in Article 318, paragraph (3) of that Act is deemed to be replaced with "secondary offices"; and the term "shareholders" in Article 318, paragraph (4) of that Act is deemed to be replaced with "members"; any other necessary technical replacement of terms is specified by Cabinet Order.

- (2) The provisions of Article 830 (Action for a Declaratory Judgment as to the Absence or Invalidity of a Resolution of a Shareholders Meeting), Article 831 (Action to Revoke a Resolution of a Shareholders Meeting), Article 834 (limited to the part involving items (xvi) and (xvii)) (Defendant), Article 835, paragraph (1) (Jurisdiction over Actions), Article 836, paragraphs (1) and (3) (Order to Provide Security), Article 837 (Mandatory Consolidation of Oral Arguments, etc.), Article 838 (Persons Affected by a Judgment Being Upheld), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (1) (limited to the part involving item (i), (g)) (Commissioning of Registration by Judicial Decision) of the Companies Act apply *mutatis mutandis* to an action for a declaratory judgment as to the absence or invalidity of a resolution of the member representatives meeting of a mutual company and to an action to revoke a resolution of the member representatives meeting of a mutual company. In this case, the term "a shareholder, etc. (or, if the shareholders meeting, etc. set forth respectively in each such item is an organizational meeting or a class organizational meetings, a shareholder, etc., a shareholder at incorporation, a director at incorporation or a company auditor at incorporation)" in Article 831, paragraph (1) of that Act is deemed to be replaced with "members, directors, company auditors or liquidators of a mutual company (members, directors or liquidators, in the case of a company with an audit and supervisory committee, or members, directors, executive officers or liquidators, in the case of a company with a nominating committee, etc.)"; and the term "a shareholder (or, if the relevant resolution is the resolution of an organizational meeting, shareholders at incorporation) or director (or, in cases of a company with an audit and supervisory committee, directors who are audit and supervisory committee members or other directors; the same applies hereinafter in this paragraph), company auditor or liquidator pursuant to the provisions of Article 346 (1) (including as applied *mutatis mutandis* pursuant to Article 479 (4)), and if such resolution is a resolution of

an organizational meeting or class organizational meeting, it is to include a director at incorporation (if a stock company to be incorporated is a company with audit and supervisory committee, directors at incorporation who are audit and supervisory committee members at incorporation or other directors at incorporation) or a company auditor at incorporation)" in Article 831, paragraph (1) of that Act is deemed to be replaced with "members, or directors (in the case of a company with an audit and supervisory committee, directors who are audit and supervisory committee members or other directors; the same applies in this paragraph), company auditors or liquidators (including a person who assumes the rights and obligations of a director, executive officer or liquidator pursuant to the provisions of Article 53-12, paragraph (1) of the Insurance Business Act (including as applied mutatis mutandis pursuant to Article 180-5, paragraph (4) of that Act)"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Right to Demand the Convocation of General Meeting)

Article 50 (1) Even if a mutual company has established a member representatives meeting pursuant to the provisions of Article 42, paragraph (1), members that account for at least five thousandths (or any smaller proportion prescribed by the articles of incorporation) of all members (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation), may demand the directors to convene the general meeting with the purpose of abolishing the member representatives meeting or changing any particular prescribed by the articles of incorporation pursuant to the provisions of paragraph (2) in that Article, by indicating the proposed agenda for the meeting and the reason for the convocation.

(2) In the following cases, the members who made a demand pursuant to the provisions of the preceding paragraph may convene a general meeting with the permission of the court:

(i) if the convening procedure is not taken without delay after a demand pursuant to the provisions of the preceding paragraph; or

(ii) if a notice for the convocation of the general meeting which designates, as the date of the general meeting, a date falling within the period of eight weeks (or any shorter period provided for in the articles of incorporation) from the day of a demand pursuant to the provisions of the preceding paragraph is not given.

(3) The provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 871 (Appending of the Reason), Article 874 (limited to the part involving item (iv)) (Restrictions

on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the preceding paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

- (4) If a resolution changing any particular prescribed by the articles of incorporation pursuant to the provisions of Article 42, paragraph (2) is adopted by the general meeting convened pursuant to the provisions of the preceding three paragraphs, the member representatives meeting may not adopt a resolution amending the articles of incorporation regarding the particular thus changed, unless three years have elapsed since the day on which the amendment of the articles of incorporation came into effect regarding the particular.

Division 3 Establishment of Administrative Organs Other than General Meetings and Member Representatives Meetings

(Administrative Organs)

Article 51 (1) A mutual company must have in place the following administrative organs:

(i) board of directors; and

(ii) company auditors, advisory committee or nominating committee, etc.

(2) A mutual company may have accounting advisors, a board of company auditors or accounting auditors pursuant to the provisions of the articles of incorporation.

(3) A mutual company that is an insurance company and a mutual company listed in Article 272-4, paragraph (1), item (i), (b) (other than a company with an audit and supervisory committee and company with a nominating committee, etc.) must have in place a board of company auditors and a accounting auditors.

(4) A company with an audit and supervisory committee and a company with a nominating committee, etc. must not have any company auditors.

(5) A company with an audit and supervisory committee and a company with a nominating committee, etc. must have a accounting auditors.

(6) A company with a nominating committee, etc. must not have an audit and supervisory committee.

(Election)

Article 52 (1) Officers (meaning directors, accounting advisors and company auditors; hereinafter the same applies in this Division) and accounting auditors is elected by a resolution of the general meeting (or the member

representatives meeting, if the company has such a meeting; hereinafter the same applies in this Subsection).

- (2) In case of a company with an audit and supervisory committee, the election of directors under the preceding paragraph must be made separately for directors who are advisory committee members and other directors.
- (3) In adopting a resolution under paragraph (1), substitute officers may be elected as prescribed by Cabinet Office Order as a precaution against cases in which there are no officers (in case of a company with an audit and supervisory committee, a director who is an audit and supervisory committee member or other director, or an accounting advisor; hereinafter the same applies in this paragraph) in office or if there is a vacancy which results in a shortfall in the number of officers prescribed by this Act or the articles of incorporation.

(Relationship between a Mutual Company and Its Officers)

Article 53 The relationship held by a mutual company with its officers and accounting auditors are governed by the provisions on mandate.

(Qualifications of Directors)

Article 53-2 (1) The provisions of Article 331, paragraph (1) of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of Article 12, paragraph (1) apply mutatis mutandis to directors of a mutual company. In this case, in item (iii) of that paragraph, the term "of the Financial Instruments and Exchange Act;" is deemed to be replaced with "of the Financial Instruments and Exchange Act; a crime under Article 549, Article 550, Articles 552 through 555, or Article 557 of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions (Act No. 95 of 1996)", and the phrase "a crime under Article 266, Article 267, Articles 269 through 271, or Article 273 of the Corporate Reorganization Act (Act No. 154 of 2002);" is deemed to be deleted.

- (2) A director who is an audit and supervisory committee member may not concurrently serve as an executive director (in the case of a mutual company, meaning a director listed in the items of Article 53-13, paragraph (1) and other director who executed the business of the mutual company, and in case of a stock company, meaning a director listed in the items of Article 363, paragraph (1) of the Companies Act and other director who executed the business of the stock company; the same applies hereinafter), manager or any other employee of a company with an audit and supervisory committee or its substantive subsidiary companies, or as an accounting advisor (or, where the accounting advisor is a corporation, any member of that corporation who is to carry out the relevant duties) or executive officer of the relevant substantive subsidiary companies.

- (3) A director of a company with a nominating committee, etc. may not concurrently serve as a manager or any other employee of the company with a nominating committee, etc.
- (4) A mutual company must have three or more directors.
- (5) A company with an audit and supervisory committee is to have at least three directors who are advisory committee members, and the majority of those directors must be outside directors (meaning a director of a mutual company who satisfies all of the following requirements; the same applies hereinafter):
 - (i) a person who is not an executive director, etc. (meaning an executive director or executive officer, or manager or other employee; the same applies hereinafter) of the mutual company or its substantive subsidiary companies, and who has not served as an executive director, etc. of the mutual company or its substantive subsidiary companies within ten years before assuming the office;
 - (ii) in the case of a person who served as a director, accounting advisor (or, where the accounting advisor is a corporation, any member of that corporation who is to carry out its duties) or a company auditor of the mutual company or its substantive subsidiary companies at any time within ten years before assuming the office (excluding a person who was an executive director, etc.), the person is not to have served as an executive director, etc. of the mutual company or its substantive subsidiary companies within ten years before assuming the office of the director, accounting advisor or company auditor; and
 - (iii) a person who is not a spouse or relative within the second degree of kinship of a director, executive officer, manager or other important employee of the mutual company.

(Directors' Terms of Office)

- Article 53-3 (1) A director's term of office is to continue until the conclusion of the annual general meeting (or the annual member representatives meeting, if the company has a member representatives meeting; hereinafter the same applies in this Subsection) for the last business year which ends within two years from the time of their election; provided, however, that this does not preclude the shortening of the their term of office by the articles of incorporation or by a resolution of the general meeting.
- (2) For the purpose of applying the provisions of the preceding paragraph to a director (excluding a director who is an audit and supervisory committee member) of a company with an audit and supervisory committee, the term "two years" in that paragraph is deemed to be replaced with "one year".
 - (3) The proviso to paragraph (1) does not apply to the term of office of a director who is an audit and supervisory committee member.

- (4) The provisions of the main clause of paragraph (1) do not exclude a company from providing that the term of office of a director who is an audit and supervisory committee member elected as a substitute for a director who is an audit and supervisory committee member that resigned before the expiry of their term of office is to be until the time of expiry of the term of office of the resigned director who is an audit and supervisory committee member.
- (5) For the purpose of applying the provisions of paragraph (1) to the directors of a company with a nominating committee, etc., the term "two years" in that paragraph is deemed to be replaced with "one year".
- (6) The provisions of Article 332, paragraph (7) (excluding item (iii)) (Directors' terms of office) of the Companies Act apply mutatis mutandis to the terms of office of the directors of a mutual company. In this case, the term "preceding paragraphs" in that paragraph is deemed to be replaced with "Article 53-3, paragraphs (1) to (5) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Qualifications of Accounting Advisors)

Article 53-4 The provisions of Article 333 (Qualifications of Accounting Advisors) and Article 334 (excluding Article 332, paragraph (2) and Article 332, paragraph (7), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 334, paragraph (1)) (Accounting Advisors' Terms of Office) of the Companies Act apply mutatis mutandis to the accounting advisors of a mutual company. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Qualifications of Company Auditors)

- Article 53-5 (1) The provisions of Article 53-2, paragraph (1) apply mutatis mutandis to the company auditors of a mutual company. In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (2) A company auditor of a mutual company may neither concurrently serve as a director, or manager or any other employee of that mutual company or its substantive subsidiary companies, nor concurrently serve as an executive officer or accounting advisor (or, if the accounting advisor is a corporation, any member of that corporation who is to carry out relevant duties) of the substantive subsidiary companies.
 - (3) A company with a board of company auditors must have three or more company auditors, of whom half or more of them are outside company auditors (meaning those company auditors of a mutual company who falls under all of the following requirements; the same applies hereinafter):
 - (i) a person who has not served as a director, accounting advisor (or, where the accounting advisor is a corporation, any member of that corporation who is to

carry out relevant duties; the same applies in the following item), executive officer, manager or any other employee of the relevant mutual company or its substantive subsidiary companies within ten years before the assumption of office;

- (ii) in the case of a person who served as a company auditor of the relevant mutual company or its substantive subsidiary companies at any time within ten years before assuming the office, the person did not serve as a director, accounting advisor, executive officer, manager or any other employee of the relevant mutual company or its substantive subsidiary companies within ten years before assuming the office of the relevant company auditor; and
- (iii) a person who is not a spouse or relative within the second degree of kinship of a director, manager or other important employee of the relevant mutual company.

(Company Auditors' Terms of Office)

Article 53-6 (1) Company auditors' terms of office continues until the conclusion of the annual general meeting for the last business year which ends within four years from the time of their election.

- (2) The provisions of Article 336, paragraphs (3) and (4) (limited to the part pertaining to item (ii)) (Company Auditors' Terms of Office) of the Companies Act apply mutatis mutandis to the company auditors of a mutual company. In this case, the term "paragraph (1)" in paragraph (3) of that Article is deemed to be replaced with "Article 53-6, paragraph (1) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Qualifications of Accounting Auditorss)

Article 53-7 The provisions of Article 337 (Qualifications of Financial Auditor) and Article 338, paragraphs (1) and (2) (Financial Auditor's Terms of Office) of the Companies Act apply mutatis mutandis to the accounting auditors of a mutual company; and the provisions of Article 338, paragraph (3) of that Act apply mutatis mutandis to the accounting auditors of a mutual company other than that set forth in Article 53-14, paragraph (5), respectively. In this case, the term "Article 435, paragraph (2)" in Article 337, paragraph (3), item (i) of that Act is deemed to be replaced with "Article 54-3, paragraph (2) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Dismissal)

Article 53-8 (1) Officers and accounting auditors of a mutual company may be dismissed at any time by a resolution of the general meeting.

(2) A person dismissed pursuant to the provisions of the preceding paragraph is entitled to demand from the mutual company compensation for damage arising from the dismissal, except if there are legitimate grounds for the dismissal.

(Dismissal of a Accounting Auditor by Company Auditors)

Article 53-9 (1) The company auditor may dismiss a accounting auditor if that accounting auditor falls under any of the following items:

- (i) the auditor has breached their professional obligations or neglected their duties;
- (ii) the auditor has engaged in conduct unbecoming of a accounting auditor; or
- (iii) the auditor has difficulty in, or is unable to cope with the execution of their duties due to a mental or physical disorder.

(2) Any dismissal pursuant to the provisions of the preceding paragraph must be made by the unanimous consent of all company auditors, if the company has two or more company auditors.

(3) If an accounting auditor is dismissed pursuant to the provisions of paragraph (1), the company auditor (or, if the company has two or more company auditors, a company auditor appointed from among themselves) must report the fact and the reason for dismissal to the first general meeting convened after the dismissal.

(4) For the purpose of applying the provisions of the preceding three paragraphs to a company with a board of company auditors, the term "company auditor" in paragraph (1) is deemed to be replaced with "board of company auditors"; the phrase "company auditors, if the company has two or more company auditors" in paragraph (2) is deemed to be replaced with "company auditors"; and the term "company auditor (or, if the company has two or more company auditors, a company auditor appointed from among themselves)" in the preceding paragraph is deemed to be replaced with "company auditor appointed by the board of company auditors".

(5) For the purpose of applying the provisions of paragraphs (1) through (3) to a company with an audit and supervisory committee, the term "company auditor" in paragraph (1) is deemed to be replaced with "audit and supervisory committee", the phrase "company auditors, if the company has two or more company auditors" in paragraph (2) is deemed to be replaced with "advisory committee members", the phrase "the company auditor (or, where the company has two or more company auditors, a company auditor appointed from among themselves)" in paragraph (3) is deemed to be replaced with "the audit and supervisory committee member".

(6) For the purpose of applying the provisions of paragraphs (1) through (3) to a company with a nominating committee, etc., the term "company auditor" in paragraph (1) is deemed to be replaced with "audit committee"; the term

"company auditors, where the company has two or more company auditors" in paragraph (2) is deemed to be replaced with "audit committee members"; and the term "company auditor (or, if the company has two or more company auditors, a company auditor appointed from among themselves)" in paragraph (3) is deemed to be replaced with "audit committee member appointed by the committee".

(Method of Adopting Resolution for Election of Officers)

Article 53-10 (1) Notwithstanding the provisions of Article 37, paragraph (1) and Article 44, paragraph (1), resolutions of the general meeting for the election or dismissal of officers are adopted by a majority vote (or any larger proportion prescribed by the articles of incorporation) of the attending members (or, if the company has a member representatives meeting, the representative members) at a session if at least half (or any other proportion larger than one third prescribed by the articles of incorporation) of the members (or the representative members) are present.

(2) Notwithstanding the provisions of the preceding paragraph, in a case where the dismissal of a director who is an audit and supervisory committee member or a company auditor is to be resolved, it must be adopted by a resolution set forth in Article 62, paragraph (2).

(Application, Mutatis Mutandis, of the Companies Act)

Article 53-11 The provisions of Article 342-2, paragraphs (1) through (3) (Statement of Opinions on the Election of a Director, etc. who is an Audit and Supervisory Committee Member) of the Companies Act apply mutatis mutandis to statement of opinions on election, dismissal or resignation of a director who is an audit and supervisory committee member of a mutual company; the provisions of paragraph (4) of that Article apply mutatis mutandis to statement of opinions on election, dismissal or resignation of a director who is not an audit and supervisory committee member of a mutual company; the provisions of Article 343 (Consent of Company Auditors to Election of Company Auditors) (excluding paragraph (4)) of that Act apply mutatis mutandis to the election of the company auditors of a mutual company; the provisions of Article 344 (Determination of Content of Proposal on the Election of Financial Auditor) of that Act apply mutatis mutandis to the election of the accounting auditors of a mutual company; the provisions of Article 344-2 (Consent of the Audit and Supervisory Committee to the Election of Directors who are Audit and Supervisory Committee Members) (excluding paragraph (3)) of that Act apply mutatis mutandis to election of a director who is an audit and supervisory committee member of a mutual company; and the provisions of Article 345 (Statement of Opinions on Election of Accounting Advisors) of that Act apply

mutatis mutandis to the statement of opinions regarding the election or dismissal, or resignation of the accounting advisors, company auditors or accounting auditors of a mutual company. In this case, the term "Article 298, paragraph (1), item (i)" in paragraph (3) of that Article is deemed to be replaced with "Article 298, paragraph (1), item (i) as applied mutatis mutandis pursuant to Article 41, paragraph (1) or Article 49, paragraph (1) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Measures for Vacancies Arising Among the Officers)

- Article 53-12 (1) If a mutual company has no officers (in the case of a company with an audit and supervisory committee, a director who is an audit and supervisory committee member or other director, or accounting auditors; hereinafter the same applies in this Article) or if there any vacancies among the officers which results in a shortfall in the number of officers prescribed by this Act or the articles of incorporation, an officer who retired from office due to the expiration of their term of office or resignation is to retain the rights and obligations of an officer until a newly elected officer (including a person who is to temporarily carry out the duties of an officer referred to in the following paragraph) assumes their office.
- (2) In the case prescribed in the preceding paragraph, the court may, if it finds it necessary, appoint a person to temporarily carry out the duties of an officer, in response to a petition filed by an interested party.
 - (3) The court may, if it has appointed a person to temporarily carry out the duties of an officer referred to in the preceding paragraph, specify the amount of the remuneration to be paid to the person by the mutual company.
 - (4) If a mutual company has no accounting auditors or if any vacancy occurs resulting in a shortfall in the number of accounting auditorss prescribed by the articles of incorporation, and an accounting auditors is not elected without delay, the company auditor must appoint a person to temporarily carry out the duties of accounting auditors.
 - (5) The provisions of Article 337 of the Companies Act as applied mutatis mutandis pursuant to Article 53-7 and the provisions of Article 53-9 apply mutatis mutandis to the person who is to temporarily carry out the duties of accounting auditors referred to in the preceding paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.
 - (6) For the purpose of applying the provisions of paragraph (4) to a company with a board of company auditors, the term "company auditor" in that paragraph is deemed to be replaced with "board of company auditors".
 - (7) For the purpose of applying the provisions of paragraph (4) to a company with an audit and supervisory committee, the term "company auditor" in that

- paragraph is deemed to be replaced with "audit and supervisory committee".
- (8) For the purpose of applying the provisions of paragraph (4) to a company with a nominating committee, etc., the term "company auditor" in that paragraph is deemed to be replaced with "audit committee".
- (9) The provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (1) (limited to the part involving item (i)) (Hearing of Statements), Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act), Article 876 (Supreme Court Rules) and Article 937, paragraph (1) (limited to the part involving item (ii), (a) and (c)) (Commissioning of Registration by a Judicial Decision) of the Companies Act apply mutatis mutandis to paragraphs (2) and (3). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

Division 4 Directors and Board of Directors

(Authority of the Directors)

- Article 53-13 (1) The following directors execute the business of a mutual company:
- (i) a representative director; and
 - (ii) a director other than a representative director, who is appointed by resolution of the board of directors as the director who is to execute the business of the mutual company.
- (2) The directors listed in the items of the preceding paragraph must report the status of the execution of their duties to the board of directors at least once every three months.

(Authority of the Board of Directors)

- Article 53-14 (1) A board of directors is composed of all of the directors.
- (2) The board of directors is to carry out the following duties:
- (i) deciding the execution of the mutual company's business;
 - (ii) supervising the execution of duties by directors; and
 - (iii) appointing and removing representative directors.
- (3) The board of directors must appoint the representative director from among the directors.
- (4) The board of directors may not delegate decisions on the execution of important business, such as the following particulars, to directors:
- (i) the appropriation of and acceptance of assignment of important assets;
 - (ii) borrowing a significantly large amount;

- (iii) the election and dismissal of an important employee including a manager;
 - (iv) the establishment, change or closing of secondary offices and other important structures;
 - (v) the particulars specified by Cabinet Office Order as material particulars of the solicitation of persons who subscribe for bonds (meaning the bonds as defined in that Article), such as the particular listed in Article 61, item (i);
 - (vi) revision of a system necessary for ensuring that the execution of duties by directors complies with laws and regulations and the articles of incorporation, and of any other system specified by Cabinet Office Order as a system necessary for ensuring propriety in the business of a mutual company as well as the business of a corporate group consisting of the relevant mutual company and its substantive subsidiary companies; or
 - (vii) exemption from liability under Article 53-33, paragraph (1) pursuant to the provisions of the articles of incorporation under Article 426, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 following the deemed replacement of terms.
- (5) In a mutual company that is an insurance company and a mutual company listed in Article 272-4, paragraph (1), item (i), (b), the board of directors must decide on the particulars listed in item (vi) of the preceding paragraph.

(Application, Mutatis Mutandis, of the Companies Act)

Article 53-15 The provisions of Article 350 (Liability for Damages Caused by Directors' Actions), Article 352 (Authority of Persons Who Perform Duties on Behalf of Directors), Articles 354 to 357 (Apparent Representative Directors, Duty of Loyalty, Restrictions on Competition and Conflict of Interest Transactions, Director's Duty to Report), Article 358 (excluding paragraph (1), item (ii)) (Election of Inspector of Execution of Operation), Article 359 (Decision by the Court to Call a Shareholders Meeting), Article 360, paragraph (1) (Prohibition of Directors' Actions by the Shareholders), Article 361 (Remuneration for Directors) and Article 365, paragraph (2) (Restrictions on Competition and Transactions with Companies with a Board of Directors) of the Companies Act apply mutatis mutandis to the directors of a mutual company; the provisions of Article 349, paragraphs (4) and (5) (Representatives of Companies), and Article 351 (Measures When Vacancy Arises in the Office of a Representative Director) of that Act apply mutatis mutandis to the representative director of a mutual company; the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (1) (limited to the part involving item (i)) (Hearing of Statements), Article 871 (Appending of Reasons), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 874 (limited to the part involving items (i) and (iv)) (Restrictions on Appeal),

Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply mutatis mutandis to the directors or representative director of a mutual company; and the provisions of Article 937, paragraph (1) (limited to the part involving item (ii), (a) and (c)) (Commissioning of Registration by Judicial Decision) of that Act apply mutatis mutandis to the representative director of a mutual company. In this case, the term "shareholders meeting" in Article 356, paragraph (1) of that Act is deemed to be replaced with "board of directors"; the term "shareholders" in Article 358, paragraph (1) of that Act is deemed to be replaced with "members or representative members"; the phrase "shareholders who hold not less than 3 percent of the voting rights (or, if a lesser proportion is prescribed in the articles of incorporation, such proportion) of all shareholders (excluding shareholders who may not exercise their voting rights on all matters which may be resolved at shareholders meetings)" in Article 358, paragraph (1), item (i) of that Act is deemed to be replaced with "members that account for at least three thousandths (or any smaller proportion prescribed by the articles of incorporation) of all members, or three thousand (or any smaller number prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 38, paragraph (1) of the Insurance Business Act), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation) (or, where the company has a member representatives meeting, those persons, or nine (or any other smaller number prescribed by the articles of incorporation) or more representative members)"; the term "shareholders" in Article 358, paragraph (7) is deemed to be replaced with "members or representative members"; the term "shareholders" in Article 359, paragraph (1), item (ii) of that Act is deemed to be replaced with "members (or, where the company has a member representatives meeting, representative members)"; and the terms "shareholders having the shares" and "substantial detriment" in Article 360, paragraph (1) of that Act is deemed to be replaced with "persons who have been members" and "irreparable damage", respectively; any other necessary technical replacement of terms is prescribed by Cabinet Order.

(Management of Boards of Directors)

Article 53-16 The provisions of Part II, Chapter IV, Section 5, Subsection 2 (excluding Article 367, and Article 371, paragraphs (3) and (5)) (Operations) of the Companies Act apply mutatis mutandis to the management of the board of directors of a mutual company; and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing),

Article 870, paragraph (2) (limited to the part involving item (i)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and Other Procedures), the main clause of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and Other Procedures), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply mutatis mutandis to an application for permission under Article 371, paragraph (2) or (4) of that Act as applied mutatis mutandis pursuant to this Article following the deemed replacement of terms. In this case, the terms "shareholder" and "at any time during the business hours of a stock company" in Article 371, paragraph (2) (Minutes) of that Act is deemed to be replaced with "member (or, if the company has a member representatives meeting, the representative members)" and "with the permission of the court", respectively; the term "parent company or subsidiary company" in Article 371, paragraph (6) is deemed to be replaced with "substantive subsidiary companies prescribed in Article 33-2, paragraph (1) of the Insurance Business Act"; the term "Article 363, paragraph (2)" in Article 372, paragraphs (2) and (3) (Omission of Report to Board of Directors) of that Act is deemed to be replaced with "Article 53-13, paragraph (2) of the Insurance Business Act"; the term "Article 417, paragraph (4)" in Article 372, paragraph (3) is deemed to be replaced with "Article 417, paragraph (4) as applied mutatis mutandis pursuant to Article 53-30, paragraph (5) of the Insurance Business Act"; the term "Article 399-13, paragraph (5)" in Article 373, paragraph (1) (Resolution of Board of Directors by Special Directors) of that Act is deemed to be replaced with "Article 53-23-3, paragraph (5) of the Insurance Business Act"; the term Article 362, paragraph (4), items (i) and (ii) or Article 399-13, paragraph (4), items (i) and (ii) " is deemed to be replaced with "Article 53-14, paragraph (4), items (i) and (ii) or Article 53-23-3, paragraph (4), items (i) and (ii) of that Act"; the term "Article 362, paragraph (4), items (i) and (ii) or Article 399-13, paragraph (4), items (i) and (ii)" in paragraph (2) of that Article is deemed to be replaced with "Article 53-14, paragraph (4), items (i) and (ii) or Article 53-23-3, paragraph (4), items (i) and (ii) of the Insurance Business Act"; and the term "Article 399-14" in paragraph (4) of that Article is deemed to be replaced with "Article 399-14 as applied mutatis mutandis pursuant to Article 53-23-3, paragraph (7) of the Insurance Business Act", and any other necessary technical replacement of terms is specified by Cabinet Order.

Division 5 Accounting Advisors

(Authority of Accounting Advisors)

Article 53-17 The provisions of Part II, Chapter IV, Section 6 (excluding Article 378, paragraph (1), item (ii) and Article 378, paragraph (3)) (Accounting Advisors) of the Companies Act apply mutatis mutandis to the accounting advisors of a mutual company. In this case, the terms "Article 435, paragraph (2)", "supplementary schedules thereof, the temporary financial statements (meaning the temporary financial statements provided for in Article 441, paragraph (1), hereinafter the same applies in this Chapter)" and "Article 444, paragraph (1)" in Article 374, paragraph (1) (Authority of Accounting Advisors) of that Act is deemed to be replaced with "Article 54-3, paragraph (2) of the Insurance Business Act", "annexed detailed statement" and "Article 54-10, paragraph (1) of the Insurance Business Act", respectively; the term "Article 333, paragraph (3), item (ii) or (iii)" in Article 374, paragraph (5) is deemed to be replaced with "Article 333, paragraph (3), item (ii) or (iii) as applied mutatis mutandis pursuant to Article 53-4 of the Insurance Business Act"; the term "Article 436, paragraph (3), Article 441, paragraph (3) or Article 444, paragraph (5)" in Article 376, paragraph (1) (Attendance at Board of Directors Meetings) of that Act is deemed to be replaced with "Article 54-4, paragraph (3) or Article 54-10, paragraph (5) of the Insurance Business Act"; the term "Article 368, paragraph (2)" in Article 376, paragraph (3) of that Act is deemed to be replaced with "Article 368, paragraph (2) as applied mutatis mutandis pursuant to Article 53-16 of the Insurance Business Act"; and the term "Article 319, paragraph (1)" in Article 378, paragraph (1), item (i) (Keeping and Inspection of Financial Statements by Accounting Advisors) of that Act is deemed to be replaced with "Article 319, paragraph (1) as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

Division 6 Company Auditors and Board of Company Auditors

(Authority of Company Auditors)

- Article 53-18 (1) The company auditors are to audit the execution of duties by directors (or, in a company with an accounting advisor, directors and accounting advisors). In this case, the company auditors must prepare audit reports pursuant to the provisions of Cabinet Office Order.
- (2) The company auditors may at any time request a business report from the directors and accounting advisors, managers and other employees, or investigate the status of the business and property of the mutual company.
- (3) If it is necessary for the purpose of carrying out their duties, the company auditors may request a business report from substantive subsidiary companies

of the mutual company, or investigate the status of the business and property of such substantive subsidiary companies.

- (4) The substantive subsidiary companies set forth in the preceding paragraph may refuse to submit reports or undergo investigation as set forth in that paragraph if there are legitimate grounds for doing so.

(Authority of Board of Company Auditors)

Article 53-19 (1) The board of company auditors is to be composed of all company auditors.

- (2) The board of company auditors is to carry out the following duties; provided, however, that a decision under item (iii) may not preclude company auditors from exercising their authority:

(i) preparing audit reports;

(ii) appointing and removing full-time company auditors; and

(iii) deciding on the particulars of the execution of the duties of company auditors, such as audit policy and method of investigating the status of the business and property of the company with a board of company auditors.

- (3) The board of company auditors must appoint full-time company auditors from among the company auditors.

- (4) The company auditors must report the status of the execution of their duties to the board of company auditors whenever the latter so requests.

(Application, Mutatis Mutandis, of the Companies Act)

Article 53-20 The provisions of Articles 382 to 385 (Duty to Report to Directors, Duty to Attend Board of Directors Meetings, Duty to Report to Shareholders' Meetings, Prohibition of Directors' Actions by the Company Auditors), Article 386 (excluding paragraph (1), items (ii) and (iii), and paragraph (2), items (iii) and (iv)) (Representation of Company in Actions between Company with Auditors and Directors), Article 387 (Remunerations for Company Auditors) and Article 388 (Requests for Indemnification of Expenses) of the Companies Act apply mutatis mutandis to the company auditors of a mutual company. In this case, the term "Article 373, paragraph (1)" in Article 383, paragraph (1) of that Act is deemed to be replaced with "Article 373, paragraph (1) as applied mutatis mutandis pursuant to Article 53-16 of the Insurance Business Act"; the term "proviso to Article 366, paragraph (1)" in Article 383, paragraph (2) is deemed to be replaced with "proviso to Article 366, paragraph (1) as applied mutatis mutandis pursuant to Article 53-16 of the Insurance Business Act"; the term "Article 373, paragraph (2)" in Article 383, paragraph (4) is deemed to be replaced with "Article 373, paragraph (2) as applied mutatis mutandis pursuant to Article 53-16 of the Insurance Business Act"; the term "Article 349, paragraph (4), Article 353 and Article 364" in Article 386, paragraph (1) of that

Act and the term "Article 349, paragraph (4)" in Article 386, paragraph (2) is deemed to be replaced with "Article 349, paragraph (4) as applied mutatis mutandis pursuant to Article 53-15 of the Insurance Business Act"; the phrase "a request (limited to a request to file an action to pursue the liabilities of directors) pursuant to the provisions of Article 847, paragraph (1), Article 847-2, paragraph (1) or (3) (including cases where it is applied mutatis mutandis pursuant to paragraph (4) and (5) of the relevant Article), or Article 847-3, paragraph (1)" in Article 386, paragraph (2), item (i) of that Act is deemed to be replaced with "a request for institution of action under Article 847, paragraph (1) as applied mutatis mutandis pursuant to Article 53-37 of the Insurance Business Act"; and the terms "Article 849, paragraph (4)" and "Article 850, paragraph (2)" in Article 386, paragraph (2), item (ii) of that Act is deemed to be replaced with "Article 849, paragraph (4) as applied mutatis mutandis pursuant to Article 53-37 of the Insurance Business Act" and "Article 850, paragraph (2) as applied mutatis mutandis pursuant to Article 53-37 of the Insurance Business Act", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

(Management of Boards of Company Auditors)

Article 53-21 The provisions of Part II, Chapter IV, Section 8, Subsection 2 (Operations) of the Companies Act apply mutatis mutandis to the management of the board of company auditors of a mutual company; and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (2) (limited to the part involving item (i)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and other procedures), the main clause of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and other procedures), the main clause of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply mutatis mutandis to the application for permission under Article 394, paragraph (2) of that Act (including as applied mutatis mutandis pursuant to Article 394, paragraph (3); hereinafter the same applies in this Article) as applied mutatis mutandis pursuant to this Article. In this case, the term "shareholder" in Article 394, paragraph (2) (Minutes) of that Act is deemed to be replaced with "member (or, if the company has a member representatives meeting, representative member)"; the term "and to the cases in which it is necessary for the purpose of exercising the rights of a member of the parent company" in Article 394, paragraph (3) is deemed to be deleted; and the term "parent company or

subsidiary company" in Article 394, paragraph (4) is deemed to be replaced with "substantive subsidiary companies as defined in Article 33-2, paragraph (1) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

Division 7 Accounting Auditors

(Authority of an Accounting Auditor)

- Article 53-22 (1) The accounting auditor audits the financial statements (meaning the financial statements as defined in Article 54-3, paragraph (2); hereinafter the same applies in this Subsection), annexed detailed statements thereto and consolidated financial statements (meaning the consolidated financial statements as defined in Article 54-10, paragraph (1)) of the mutual company pursuant to the provisions of the following Subsection. In this case, the accounting auditors must prepare financial audit reports pursuant to the provisions of Cabinet Office Order.
- (2) The accounting auditors may at any time inspect and copy the following materials or request reports on accounting from the directors and accounting advisors and managers or other employees:
- (i) an accounting book (meaning the accounting book as defined in Article 54-2, paragraph (1); hereinafter the same applies in this Subsection) or if equivalent materials are prepared in writing, that document; and
 - (ii) if accounting books or equivalent materials are prepared in the form of an electronic or magnetic record, anything that displays the data recorded in the electronic or magnetic record in a manner specified by Cabinet Office Order.
- (3) If it is necessary for the purpose of carrying out their duties, the accounting auditors may request a report on accounting from a substantive subsidiary company of the company with accounting auditors, or investigate the status of the business and property of the company with accounting auditors or such substantive subsidiary company.
- (4) The substantive subsidiary companies set forth in the preceding paragraph may refuse to submit a report or undergo investigation as set forth in that paragraph if there are legitimate grounds for doing so.
- (5) The accounting auditors must not employ a person falling under any of the following items in carrying out their duties:
- (i) a person listed in Article 337, paragraph (3), item (i) or (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 53-7;
 - (ii) a person who is a director, executive officer, accounting advisor or company auditor, or manager or any other employee of the company with accounting auditors or its substantive subsidiary companies; or
 - (iii) a person who is in continuous receipt of remuneration from the company

with accounting auditors or its substantive subsidiary companies for any business other than those carried out as a certified public accountant or auditing corporation.

- (6) For the purpose of applying the provisions of paragraph (2) to a mutual company that is a company with a nominating committee, etc., the term "directors" in that paragraph is deemed to be replaced with "directors, executive officers".

(Application, Mutatis Mutandis, of the Companies Act)

Article 53-23 The provisions of Articles 397 through 399 (Report to Company Auditors, Statement of Opinions at the Annual Shareholders' Meeting, Involvement of Company Auditors in Decision on Remunerations for Accounting Auditors) of the Companies Act apply mutatis mutandis to the accounting auditors of a mutual company. In this case, the term "Article 396, paragraph (1)" in Article 398, paragraph (1) of that Act is deemed to be replaced with "Article 53-22, paragraph (1) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

Division 8 Audit and Supervisory Committee

(Authorities of Audit and Supervisory Committee)

Article 53-23-2 (1) An audit and supervisory committee is organized by all audit and supervisory committee members.

(2) Audit and supervisory committee members must be directors.

(3) An audit and supervisory committee performs the following duties:

(i) supervising the execution of duties of directors (in cases of a company with an accounting advisor, directors and accounting advisors) and preparing an audit report;

(ii) determining the content of proposals regarding the election and dismissal of accounting advisors and the refusal to reelect accounting advisors to be submitted to a general meeting; and

(iii) deciding the opinions of the audit and supervisory committee prescribed in Article 342-2, paragraph (4) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11 and Article 361, paragraph (6) of that Act as applied mutatis mutandis pursuant to Article 53-15.

(4) If audit and supervisory committee members make the following requests to a company with an audit and supervisory committee with respect to the execution of their duties (limited to those related to the execution of duties of the audit and supervisory committee; hereinafter the same applies in this paragraph), the relevant company with an audit and supervisory committee may not refuse the request except if it proves that the expense or debt relating

to the request is not necessary for the execution of the duties of the relevant audit and supervisory committee members:

- (i) request for advancement of the expenses;
- (ii) request for the indemnification of the expenses paid and interests thereon from and including the day of payment; or
- (iii) requests for payment (or, if such debt is not yet incurred, provision of reasonable security) to the creditor of a debt incurred.

(5) The provisions of Articles 399-3 to 399-6 of the Companies Act (Investigations by the Audit and Supervisory Committee, Duty to Report to Board of Directors, Duty to Report to Shareholders Meeting, and Enjoinment of Acts of Directors by Audit and Supervisory Committee Members) and Article 399-7 (excluding paragraphs (3), (4) and paragraph (5), items (iii) and (iv)) (Representative of a Company in Actions between a Company with an Audit and Supervisory Committee and Directors) apply mutatis mutandis to an audit and supervisory committee or audit and supervisory committee member of a company with audit and supervisory committee. In this case, the term "Article 349, paragraph (4), Article 353, and Article 364" in paragraph (1) of that Article and the term "Article 349, paragraph (4)" in paragraph (5) of that Article is deemed to be replaced with "Article 349, paragraph (4) as applied mutatis mutandis pursuant to Article 53-15 of the Insurance Business Act"; the term "a request (limited to a request to file an action to pursue the liabilities of directors) pursuant to the provisions of Article 847, paragraph (1), Article 847-2, paragraph (1) or (3) (including as applied mutatis mutandis pursuant to paragraph (4) and (5) of the relevant Article), or Article 847-3, paragraph (1)" of item (i) of that paragraph is deemed to be replaced with "a request under Article 847, paragraph (1) as applied mutatis mutandis pursuant to Article 53-37 of the Insurance Business Act"; the terms "Article 849, paragraph (4)" and "Article 850, paragraph (2)" in item (ii) of that paragraph are deemed to be replaced with "Article 849, paragraph (4) of that Article as applied mutatis mutandis to Article 53-37 of the Insurance Business Act" and "Article 850, paragraph (2) as applied mutatis mutandis pursuant to Article 53-37 of that Act", respectively; and any other necessary technical replacement of terms is specified by Cabinet Order.

(6) The provisions of Part II, Chapter IV, Section 9-2, Subsection 2 (Operations) of the Companies Act apply mutatis mutandis to operation of an audit and supervisory committee of a company with an audit and supervisory committee, and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (2) (limited to the part pertaining to item (i)) (Hearing of Statements), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), the main clause of Article 873

(Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply mutatis mutandis to a petition for a permission under Article 399-11, paragraph (2) of that Act as applied mutatis mutandis pursuant to this paragraph (including as applied mutatis mutandis pursuant to paragraph (3) of that Article; hereinafter the same applies in this paragraph). In this case, the term "a shareholder" in paragraph (2) of that Article (Minutes) is deemed to be replaced with "a member (or, where the company has a member representatives meeting, such representative members)"; the term "cases where it is necessary for the purpose of pursuing the liability of directors or accounting advisors by a creditor of a company with an audit and supervisory committee and to the cases where it is necessary for the purpose of exercising the rights of a member of the parent company" in paragraph (3) of that Article is deemed to be replaced with "cases where it is necessary for the purpose of pursuing the liability of directors or accounting advisors by a creditor of a company with an audit and supervisory committee"; the term "or its parent company or subsidiary company" in paragraph (4) of that Article is deemed to be replaced with "or its substantive subsidiary companies prescribed in Article 33-2, paragraph (1) of the Insurance Business Act"; and any other necessary technical replacement of terms is specified by Cabinet Order.

(Authority of Board of Directors of Company with an Audit and Supervisory Committee)

Article 53-23-3 (1) Board of directors of a company with an audit and supervisory committee perform the following duties notwithstanding of provisions of Article 53-14:

- (i) deciding the following particulars and execution of other business operations of the company with an audit and supervisory committee:
 - (a) basic management policy;
 - (b) the particulars specified by Cabinet Office Order as those necessary for the execution of the duties of the audit and supervisory committee;
 - (c) the development of systems necessary to ensure that the execution of the duties by the directors complies with the laws and regulations and the articles of incorporation, and other systems prescribed by Cabinet Office Order as systems necessary to ensure the properness of operations of a mutual company and of operations of a corporate group consisting of the relevant mutual company and its substantive subsidiary companies;
 - (ii) supervising the execution of duties by directors; and
 - (iii) appointing and removing representative directors.
- (2) The board of directors of a company with an audit and supervisory committee

- must determine matters listed in item (i), (a) to (c) of the preceding paragraph.
- (3) Board of directors of a company with an audit and supervisory committee must appoint representative directors from among the directors (excluding directors who are audit and supervisory committee members).
- (4) Board of directors of a company with an audit and supervisory committee may not delegate the decision on the execution of the following matters and other material business operations to directors:
- (i) the disposal of and acceptance of assignment of material assets;
 - (ii) borrowing a significant amount of money;
 - (iii) the election and dismissal of an important employee including managers;
 - (iv) the establishment, changes or closing of important structures including branch offices;
 - (v) matters listed in Article 61, item (i) and other matters specified by Cabinet Office Order as material particulars regarding the solicitation of persons who subscribe corporate bonds (meaning corporate bonds prescribed in the relevant Article); and
 - (vi) exemption from liability under Article 53-33, paragraph (1) pursuant to provisions of the articles of incorporation under Article 426, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 following the deemed replacement of terms.
- (5) Notwithstanding the provisions of the preceding paragraph, if a majority of directors of a company with an audit and supervisory committee are outside directors, the board of directors of the company with an audit and supervisory committee may delegate to directors the decision on execution of material business operations by its resolution; provided, however, that this does not apply to the following particulars:
- (i) decisions of the particulars listed in the items of Article 298, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) or Article 49, paragraph (1);
 - (ii) decisions on the content of proposals to be submitted to a general meeting (excluding those regarding the election and dismissal of accounting auditors and the refusal to reelect accounting auditors);
 - (iii) approval under Article 356, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15;
 - (iv) decision of the directors to convene the board of directors meeting pursuant to the provisions of the proviso to Article 366, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16;
 - (v) decision of persons representing a company with an audit and supervisory committee pursuant to the provisions of Article 399-7, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to paragraph (5) of the preceding Article;

- (vi) particulars listed in item (vi) of the preceding paragraph;
 - (vii) approvals under Article 54-4, paragraph (3) and Article 54-10, paragraph (5);
 - (viii) decisions on the content of contract relating to the acts listed in the items of Article 62-2, paragraph (1);
 - (ix) decisions on the content of an entity conversion plan; and
 - (x) decisions on the content of merger contract.
- (6) Notwithstanding the provisions of the preceding two paragraphs, a company with an audit and supervisory committee may stipulate in the articles of incorporation that all or part of decisions of execution of material business operations (excluding particulars listed in items of the preceding paragraph) may be delegated to directors by the resolution of the board of directors.
- (7) The provisions of Article 399-14 (Call of the Board of Directors by Audit and Supervisory Committee) of the Companies Act apply mutatis mutandis to convocation of board of directors meeting of a company with an audit and supervisory committee. In such case, any necessary technical replacement of terms is specified by Cabinet Order.

Division 9 Nominating Committee and Executive Officer

(Appointment of Committee Members)

- Article 53-24 (1) Each nominating committee, audit committee, and compensation committee (hereinafter simply referred to as "each committee" in this Article, the following Article and Article 64) are composed of three or more committee members.
- (2) The members of each committee are appointed from among the directors by a resolution of the board of directors.
- (3) The majority of the members of each committee must be outside directors.
- (4) An audit committee member may not concurrently serve as an executive officer or executive director of a company with a nominating committee, etc. or its substantive subsidiary companies, or as an accounting advisor (or, where the accounting advisor is a corporation, any staff member of the corporation, who is to carry out the relevant duties) or manager or any other employee of a substantive subsidiary companies of a company with a nominating committee, etc..

(Removal of Committee Members)

- Article 53-25 (1) A committee member may be removed at any time by a resolution of the board of directors.
- (2) The provisions of Article 401, paragraphs (2) to (4) (Removal of Committee Members), Article 868, paragraph (1) (Jurisdiction over Non-Contentious

Cases), Article 870, paragraph (1) (limited to the part involving item (i)) (Hearing of Statements), Article 871 (Appending of Reasons), Article 872 (limited to the part involving item (iv)) (Immediate Appeals), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act), Article 876 (Supreme Court Rules) and Article 937, paragraph (1) (limited to the part pertaining to item (ii), (a) and (c)) (Commissioning of Registration by Judicial Decision) of the Companies Act apply mutatis mutandis to the committee members of a company with a nominating committee, etc. In this case, the term "paragraph (1) of the preceding Article" in Article 401, paragraph (2) of that Act is deemed to be replaced with "Article 53-24, paragraph (1) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Election of Executive Officers)

- Article 53-26 (1) A company with a nominating committee, etc. must have one or more executive officers.
- (2) An executive officer is elected by a resolution of the board of directors.
 - (3) The relationship between a company with a nominating committee, etc. and its executive officers are governed by the provisions on mandate.
 - (4) The provisions of Article 53-2, paragraph (1) apply mutatis mutandis to an executive officer.
 - (5) An executive officer may serve concurrently as a director.
 - (6) An executive officer's term of office continues until the conclusion of the first board of directors meeting convened after the conclusion of the annual general meeting for the last business year ending within one year from the time of their election; provided, however, that this does not preclude the shortening of their term of office by the articles of incorporation.
 - (7) The provisions of Article 402, paragraph (8) (Election of Executive Officers) of the Companies Act apply mutatis mutandis to the terms of office of the executive officers of a mutual company. In this case, the term "the preceding paragraph" in that paragraph is deemed to be replaced with "Article 53-26, paragraph (6) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Dismissal of Executive Officers)

- Article 53-27 (1) An executive officer may be dismissed at any time by a resolution of the board of directors.
- (2) An executive officer dismissed pursuant to the provisions of the preceding paragraph may demand from the company with a nominating committee, etc. compensation for damage arising from the dismissal, unless the company has

legitimate grounds for their dismissal.

- (3) The provisions of Article 401, paragraphs (2) to (4) of the Companies Act as applied mutatis mutandis pursuant to Article 53-25, paragraph (2), and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (1) (limited to the part involving item (i)) (Hearing of Statements), Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act), Article 876 (Supreme Court Rules) and Article 937, paragraph (1) (limited to the part involving item (ii), (a) and (c)) (Commissioning of Registration by a Judicial Decision) of that Act apply mutatis mutandis to the cases if a mutual company has no executive officer or any vacancy in the number of executive officers prescribed by the articles of incorporation. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Authority of the Nominating Committee)

Article 53-28 (1) The nominating committee is to determine the contents of proposals to be submitted to the general meeting regarding the election and dismissal of directors (or, in a company with accounting advisors, directors and accounting advisors).

(2) The audit committee carries out the following duties:

- (i) supervising the execution of duties by executive officers, etc. (meaning executive officers and directors, or, in a company with accounting advisors, executive officers, directors and accounting advisors; hereinafter the same applies in this Division) and preparing audit reports; and
- (ii) determining the content of proposals to be submitted to the general meeting regarding the election and dismissal of accounting auditors, and the non-reappointment of accounting auditors.

(3) Notwithstanding the provisions of Article 361, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15, and the provisions of Article 379, paragraphs (1) and (2) of that Act as applied mutatis mutandis pursuant to Article 53-17, the compensation committee is to determine the contents of remunerations, etc. (meaning the property considerations received from the mutual company in exchange for execution of duties, such as remunerations and bonuses; hereinafter the same applies in this paragraph) for individual executive officers, etc. If an executive officer serves concurrently as a manager or any other employee of the company with a nominating committee, etc., the same applies to the content of remunerations, etc. for the manager or other employees.

- (4) A company with a nominating committee, etc. may not refuse any of the following requests made to it by a committee member with respect to the execution of their duties (limited to a request regarding the execution of the duties of the nominating committee, etc. to which the committee member belongs; hereinafter the same applies in this paragraph), unless the company with a nominating committee, etc. proves that the expenses or obligations pertaining to the request are not necessary for the execution of the duties of the committee member:
- (i) a request for advance payment of expenses;
 - (ii) a request for reimbursement of paid expenses and any interest incurred from the date of payment; or
 - (iii) a request for payment of any obligation incurred (or, if the obligation is not due yet, providing reasonable security) to the creditor.
- (5) The provisions of Articles 405 to 407 (Investigations by Audit Committees, Duty to Report to the Board of Directors, Prohibition of Executive Officers' Actions, etc. by Audit Committee Members), Article 408 (excluding paragraph (3), paragraph (4), and paragraph (5), items (iii) and (iv)) (Representation of a Company with Nominating Committee in Actions between the Company and Its Executive Officers or Directors) and Article 409 (Methods for Decisions on Remuneration by the Compensation Committee) of the Companies Act apply *mutatis mutandis* to the nominating committee, etc. or committee members of a company with a nominating committee, etc. In this case, the term "provisions of Article 349, paragraph (4) applied *mutatis mutandis* under Article 420, paragraph (3), and the provisions of Article 353 and Article 364" in Article 408, paragraph (1) of that Act is deemed to be replaced with "provisions of Article 349, paragraph (4) as applied *mutatis mutandis* pursuant to Article 420, paragraph (3) as applied *mutatis mutandis* pursuant to Article 53-32 of the Insurance Business Act"; the term "Article 349, paragraph (4) applied *mutatis mutandis* under Article 420, paragraph (3)" in Article 408, paragraph (5) is deemed to be replaced with "Article 349, paragraph (4) as applied *mutatis mutandis* pursuant to Article 420, paragraph (3) as applied *mutatis mutandis* pursuant to Article 53-32 of the Insurance Business Act"; the term "a request (limited to a request to file an action to pursue the liabilities of directors) pursuant to the provisions of Article 847, paragraph (1), Article 847-2, paragraph (1) or (3) (including as applied *mutatis mutandis* pursuant to paragraph (4) and (5) of the relevant Article), or Article 847-3, paragraph (1)" in Article 408, paragraph (3), item (i) of that Act is deemed to be replaced with "a request for filing an action under Article 847, paragraph (1) as applied *mutatis mutandis* pursuant to Article 53-37 of the Insurance Business Act"; the terms "Article 849, paragraph (4)" and "Article 850, paragraph (2)" in Article 408, paragraph (3), item (ii) of that Act are deemed to be replaced with "Article

849, paragraph (4) as applied mutatis mutandis pursuant to Article 53-37 of the Insurance Business Act" and "Article 850, paragraph (2) as applied mutatis mutandis pursuant to Article 53-37 of the Insurance Business Act", respectively; and the term "Article 404, paragraph (3)" in Article 409, paragraph (2) of that Act is deemed to be replaced with "Article 53-28, paragraph (3) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(6) The provisions of Part II, Chapter IV, Section 10, Subsection 3 (Operation of Nominating Committee) of the Companies Act apply mutatis mutandis to the management of the nominating committee, etc. of a company with a nominating committee, etc.; and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (1) (limited to the part involving item (i)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and other procedures), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and Other Procedures), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply mutatis mutandis to the application for permission under Article 413, paragraph (3) of that Act (including as applied mutatis mutandis pursuant to Article 413, paragraph (4); hereinafter the same applies in this paragraph) as applied mutatis mutandis pursuant to this Article. In this case, the term "shareholder" in Article 413, paragraph (3) (Minutes) is deemed to be replaced with "member (or, if the company has a member representatives meeting, representative member)"; the phrase "and where it is necessary for the purpose of exercising the rights of a member of the parent company" in Article 413, paragraph (4) is deemed to be deleted"; and the term "or its parent company or subsidiary company" in Article 413, paragraph (5) of that Act is deemed to be replaced with "or its substantive subsidiary companies as defined in Article 33-2, paragraph (1) of the Insurance Business Act; any other necessary technical replacement of terms is specified by Cabinet Order.

(Authority of the Directors of a Company with a Nominating Committee)

Article 53-29 The directors of a company with a nominating committee, etc. may not execute the business of the company with a nominating committee, etc. unless otherwise provided for in this Act or any order based on this Act.

(Authority of the Board of Directors of a Company with a Nominating Committee)

Article 53-30 (1) Notwithstanding the provisions of Article 53-14, the board of directors of a company with a nominating committee, etc. are to carry out the following duties:

- (i) making decisions on the following particulars and any other decision on the execution of the business of the company with a nominating committee, etc.:
 - (a) basic management policy;
 - (b) particulars specified by Cabinet Office Order as necessary for the execution of the duties of the audit committee;
 - (c) in a mutual company with two or more executive officers, the particulars of the relationship between executive officers, such as allocation of duties and line of control among executive officers;
 - (d) the directors to receive requests for the convocation of a board of directors meeting under Article 417, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to paragraph (5); and
 - (e) establishment of a system to ensure that the execution of duties by executive officers conforms to the laws and regulations and the articles of incorporation, and any other system required by Cabinet Office Order to ensure the properness of operations of a mutual company and of operations of a corporate group consisting of the relevant mutual company and its substantive subsidiary companies: and
 - (ii) supervising the execution of duties by executive officers, etc.
- (2) The board of directors of a company with a nominating committee, etc. must decide on the particulars listed in item (i), (a) through (e) of the preceding paragraph.
- (3) The board of directors of a company with a nominating committee, etc. may not delegate to a director the execution of duties listed in paragraph (1), item (i) or (ii).
- (4) The board of directors of a company with a nominating committee, etc. may delegate to an executive officer, decisions on the execution of the company's business by adopting a resolution; provided, however, that this does not apply to the following particulars:
- (i) decisions on the particulars listed in the items of Article 298, paragraph (1) of the Companies Act as applied mutatis mutandis to Article 41, paragraph (1) or Article 49, paragraph (1);
 - (ii) decisions on the content of proposals to be submitted to the general meeting (excluding those regarding the election and dismissal of directors, accounting advisors and accounting auditors, and the non-reappointment of accounting auditors);
 - (iii) authorization under Article 356, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 (including as applied mutatis mutandis pursuant to the first sentence of Article 419, paragraph (2)

- of that Act as applied mutatis mutandis pursuant to Article 53-32);
 - (iv) designation of the directors to convene a board of directors meeting under the proviso to Article 366, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16;
 - (v) appointment of committee members pursuant to the provisions of Article 53-24, paragraph (2) and removal of committee members pursuant to the provisions of Article 53-25, paragraph (1);
 - (vi) election of executive officers pursuant to the provisions of Article 53-26, paragraph (2) and dismissal of executive officers pursuant to the provisions of Article 53-27, paragraph (1);
 - (vii) designation of persons to represent the company with a nominating committee, etc. pursuant to the provisions of Article 408, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 53-28, paragraph (5);
 - (viii) appointment of the representative executive officer pursuant to the provisions of the first sentence of Article 420, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-32 and removal of the representative executive officer pursuant to the provisions of Article 420, paragraph (2) of that Act as applied mutatis mutandis pursuant to Article 53-32;
 - (ix) exemption from liability under Article 53-33, paragraph (1) pursuant to the provisions of the articles of incorporation under Article 426, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 following the deemed replacement of terms;
 - (x) authorization under Article 54-4, paragraph (3) and Article 54-10, paragraph (5);
 - (xi) decisions on the content of any contract involving the acts listed in the items of Article 62-2, paragraph (1);
 - (xii) decisions on the content of any entity conversion plan; and
 - (xiii) decisions on the content of any merger agreement.
- (5) The provisions of Article 417 (Operations of Board of Directors of Company With a Nominating Committee) of the Companies Act apply mutatis mutandis to the operation of the board of directors of a company with a nominating committee, etc. In this case, the term "paragraph (1), item (i)-2 of the preceding Article" in paragraph (2) of that Article is deemed to be replaced with "Article 53-30, paragraph (1), item (i), (d) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Authority of Executive Officers)

Article 53-31 The executive officers carry out the following duties:

- (i) making decisions on the execution of the business of the company with a

nominating committee, etc. as delegated by a resolution of the board of directors under paragraph (4) of the preceding Article; and
(ii) executing the business operations of a company with a nominating committee, etc.

(Application, Mutatis Mutandis, of the Companies Act)

Article 53-32 The provisions of Article 419 (excluding the second sentence of paragraph (2)) (Executive Officer's Duty to Report to Audit Committee Members), Article 421 (Apparent Representative Executive Officers) and Article 422, paragraph (1) (Prohibition of Executive Officers' Actions by Shareholders) of the Companies Act apply mutatis mutandis to the executive officers of a company with a nominating committee, etc.; the provisions of Article 420 (Representative Executive Officers) apply mutatis mutandis to the representative executive officer of a company with a nominating committee, etc.; the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (1) (limited to the part involving item (i)) (Hearing of Statements), Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 874 (limited to the part involving items (i) and (iv)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply mutatis mutandis to the executive officers or representative executive officer of a company with a nominating committee, etc.; and the provisions of Article 937, paragraph (1) (limited to the part involving item (ii), (a) and (c)) (Commissioning of Registration by a Judicial Decision) of that Act apply mutatis mutandis to the representative executive officer of a company with a nominating committee, etc.. In this case, the term "Article 355, Article 356 and Article 365, paragraph (2)" in the first sentence of Article 419, paragraph (2) of that Act is deemed to be replaced with "Article 355, Article 356 and Article 365, paragraph (2) as applied mutatis mutandis pursuant to Article 53-15 of the Insurance Business Act"; the term "Article 357" in Article 419, paragraph (3) is deemed to be replaced with "Article 357 as applied mutatis mutandis pursuant to Article 53-15 of the Insurance Business Act"; the terms "Article 349, paragraphs (4) and (5)", "Article 352" and "Article 401, paragraphs (2) to (4)" in Article 420, paragraph (3) of that Act are deemed to be replaced with "Article 349, paragraphs (4) and (5) as applied mutatis mutandis pursuant to Article 53-15 of the Insurance Business Act", "Article 352 as applied mutatis mutandis pursuant to Article 53-15 of that Act" and "Article 401, paragraphs (2) to (4) as applied mutatis mutandis pursuant to Article 53-25 of the Insurance Business Act", respectively; and the term "shareholders having the shares" in Article 422,

paragraph (1) of that Act is deemed to be replaced with "persons who have been members"; any other necessary technical replacement of terms is specified by Cabinet Order.

Division 10 Liability for Damages of Officers

(Liability for Damages of Officers to a Mutual Company)

- Article 53-33 (1) Directors, executive officers, accounting advisors, company auditors, or accounting auditors (hereinafter referred to as "officers, etc." in this Division) who have been negligent in their duties are liable to compensate the mutual company for any damage resulting from the negligence.
- (2) If a director or executive officer has conducted a transaction set forth in Article 356, paragraph (1), item (i) (Restrictions on Competition and Transactions Involving a Conflict of Interest) of the Companies Act in violation of the provisions of Article 356, paragraph (1) of that Act as applied mutatis mutandis pursuant to Article 53-15 (including as applied mutatis mutandis pursuant to the first sentence of Article 419, paragraph (2) of that Act as applied mutatis mutandis pursuant to the preceding Article; hereinafter the same applies in this paragraph), the amount of the profits obtained by the director, executive officer or a third party as a result of such transaction is presumed to be the amount of the damage set forth in the preceding paragraph.
- (3) If a mutual company incurs any damage as a result of a transaction set forth in Article 356, paragraph (1), item (ii) or (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 (including as applied mutatis mutandis pursuant to the first sentence of Article 419, paragraph (2) of that Act as applied mutatis mutandis pursuant to the preceding Article), the following directors or executive officers are presumed to have been negligent in their duties:
- (i) the directors or executive officers set forth in Article 356, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15 (including as applied mutatis mutandis pursuant to the first sentence of Article 419, paragraph (2) of that Act as applied mutatis mutandis pursuant to the preceding Article);
 - (ii) the directors or executive officers who decided that the mutual company is to carry out the transaction; or
 - (iii) the directors who agreed with the board of directors' resolution approving such a transaction (in a company with a nominating committee, etc., limited to the cases in which such transaction is carried out between the company with a nominating committee, etc. or is a transaction in which there is a conflict of interest between the company with a nominating committee, etc. and the directors).

(4) The provisions of the preceding paragraph do not apply to the case listed in Article 356, paragraph (1), item (ii) or (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15, if a director prescribed in that paragraph (excluding a director who is an audit and supervisory committee member) obtains an approval from the audit and supervisory committee for the transaction.

(Exemption from Liability for Damages to a Mutual Company)

Article 53-34 Officers, etc. may not be exempted from the liability under paragraph (1) of the preceding Article without the consent of all members.

(Liability of Officers for Damages to Third Parties)

Article 53-35 (1) Officers, etc. are liable to compensate for any damage incurred by a third party as a result of their bad faith or gross negligence in carrying out their duties.

(2) The provisions of the preceding paragraph also apply when the persons listed in the following items have performed the acts provided for in the relevant items; provided, however, that this does not apply to the cases in which those persons prove that they did not fail to exercise due care in carrying out their duties:

(i) directors and executive officers: the following acts:

(a) giving false notice with respect to a material particular of which notice is required to be given in soliciting funds or subscribers for corporate bonds (meaning the corporate bonds as defined in Article 61), or entering a false statement or record in materials used in explaining the business or any other particular of the mutual company for the purpose of the solicitation;

(b) entering a false statement or record of a material particular that is required to be stated or recorded in financial statements and business reports, and annexed detailed statements thereto;

(c) making a false registration; and

(d) giving a false public notice (including the measures provided for in Article 54-7, paragraph (3));

(ii) accounting advisors: entering a false statement or record with regard to a material particular that is required to be stated or recorded in financial statements and annexed detailed statements thereto, and accounting advisors' reports;

(iii) auditors, audit and supervisory committee members and audit committee members: entering a false statement or record with regard to a material particular that is required to be stated or recorded in an audit report; and

(iv) accounting auditors: entering a false statement or record with regard to a material particular that is required to be stated or recorded in a financial

audit report.

(Application, Mutatis Mutandis, of the Companies Act)

Article 53-36 The provisions of Article 425 (excluding paragraph (1), item (ii), the second sentence of paragraphs (4) and (5)) (Partial Exemption from Liability), Article 426 (excluding paragraphs (4) to (6)) (Provisions of the Articles of Incorporation on Exemption by Directors), Article 427 (Limited Liability Contracts), Article 428 (Special Provisions on Transactions Carried Out by a Director for themselves) and Article 430 (Officers' Joint and Several Liability, etc.) of the Companies Act apply mutatis mutandis to the liability for damages of the officers, etc. of a mutual company. In this case, the terms "Article 423, paragraph (1)" and "Article 424" in those provisions are deemed to be replaced with "Article 53-33, paragraph (1) of the Insurance Business Act" and "Article 53-34 of the Insurance Business Act", respectively; the term "resolution of a shareholders meeting (if there is a wholly owning parent company, etc. (meaning a wholly owning parent company, etc. as prescribed in Article 847-3, paragraph (1); hereinafter the same applies in this Section) in a stock company, if the relevant liabilities are special liabilities (meaning special liabilities as prescribed in Article 847-3, paragraph (4); the same applies in this Section), the shareholders meeting of the relevant stock company and the relevant wholly owning parent company, etc.; hereinafter the same applies in this Article)" in Article 425, paragraph (1) of that Act is deemed to be replaced with "resolution set forth in Article 62, paragraph (2) of the Insurance Business Act"; the phrase "the directors (if there is an ultimate, wholly owning parent company, etc., when the liability to be exempted pursuant to the provisions of the relevant paragraph are special liabilities, the directors of the relevant stock company and the relevant ultimate, wholly owning parent company, etc.)" in paragraph (2) of that Article is deemed to be replaced with "the directors"; the phrase "directors (if there is an ultimate, wholly owning parent company, etc. in these companies, if the liabilities to be exempted pursuant to the provisions of paragraph (1) are special liabilities, the directors of the relevant companies and the relevant ultimate, wholly owning parent company, etc.)" in paragraph (3) of that Article is deemed to be replaced with "directors"; the phrase "the consent of directors with respect to an exemption from liability under the provisions of the articles of incorporation pursuant to the provisions of that paragraph (limited to exemptions from liability for directors (excluding those who are audit committee members) and executive officers) is to be obtained, and to the cases if a proposal regarding such exemption from liability" in Article 426, paragraph (2) of that Act is deemed to be replaced with "a proposal regarding an exemption from liability pursuant to the provisions of the articles of incorporation under that paragraph (limited to

exemptions from liability for directors (excluding those who are audit committee members) and executive officers); the phrase "apply mutatis mutandis to cases if a proposal to amend the articles of incorporation to create provisions of the articles of incorporation pursuant to the provisions of the preceding paragraph (limited to provisions of the articles of incorporation to the effect that directors (excluding those who are audit and supervisory committee members or audit committee members) and executive officers may be exempted from the liability) is submitted to a shareholders meeting, to cases where the consent of directors with respect to exemption from liability under the provisions of the articles of incorporation pursuant to the provisions of that paragraph (limited to exemption from liability of directors (excluding those who are audit and supervisory committee members or audit committee members) and executive officers) is to be obtained, and to the cases if a proposal regarding such exemption from liability is submitted to the board of directors. In this case, 'directors (if there is an ultimate, wholly owning parent company, etc. in these companies, if the liabilities to be exempted pursuant to the provisions of paragraph (1) are special liabilities, the directors of the relevant companies and the relevant ultimate, wholly owning parent company, etc.)' in paragraph (3) of the relevant Article is deemed to be replaced with 'directors' in Article 426, paragraph (2) of that Act" is deemed to be replaced with "mutatis mutandis to cases if a proposal to amend the articles of incorporation to create provisions of the articles of incorporation pursuant to the provisions of the preceding paragraph (limited to provisions of the articles of incorporation to the effect that directors (excluding those who are audit and supervisory committee members or audit committee members) and executive officers may be exempted from the liability) is submitted to a shareholders meeting, to cases where the consent of directors with respect to exemption from liability under the provisions of the articles of incorporation pursuant to the provisions of that paragraph (limited to exemption from liability of directors (excluding those who are audit and supervisory committee members or audit committee members) and executive officers) is to be obtained, and to the cases if a proposal regarding such exemption from liability is submitted to the board of directors"; the phrase "shareholders having not less than three hundredths (or, if lesser proportion is prescribed in the articles of incorporation, such proportion) of the votes of all shareholders (excluding officers, etc. subject to the liability referred to in paragraph (3)) state objections during the period provided for in that paragraph" in Article 426, paragraph (7) is deemed to be replaced with "members representing at least three thousandths (or any smaller proportion prescribed by the articles of incorporation) of all members (excluding the number of members who are Officers, etc. subject to the liability referred to in paragraph (3)) of a mutual company (or, in a specified mutual

company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 38, paragraph (1) of the Insurance Business Act) state objections during the period provided for in paragraph (3)"; the portion "state objections during the period provided for in that paragraph (if there is a wholly owning parent company, etc. in a stock company, when the liabilities to be exempted according to the provisions of the articles of incorporation pursuant to the provisions of paragraph (1), if shareholders having not less than three-hundredths (or, if a lesser proportion is prescribed in the articles of incorporation, such proportion) of voting rights of all shareholders (excluding officers, etc. subject to the liability referred to in paragraph (3)) of the relevant stock company or shareholders having not less than three-hundredths (or, if lesser proportion is prescribed in the articles of incorporation, the relevant proportion) of voting rights of all shareholders (excluding officers, etc. subject to the liability referred to in paragraph (3)) of the relevant wholly owning parent company state objections set forth in paragraphs (3) or (5) during the period set forth in the relevant paragraphs respectively)" in Article 426, paragraph (7) is deemed to be replaced with "state objections during the period provided for in paragraph (3)"; the phrase "mutatis mutandis to cases if a proposal to amend the articles of incorporation to create provisions of the articles of incorporation under the provisions of paragraph (1) (limited to the provisions of the articles of incorporation to the effect that contracts may be entered into with directors (excluding those who are audit and supervisory committee members or audit committee members)) is submitted to a shareholders meeting. In this case, the phrase "directors (if there is an ultimate, wholly owning parent company, etc. in these companies, if the liabilities to be exempted pursuant to the provisions of paragraph (1) are special liabilities, the directors of the relevant companies and the relevant ultimate, wholly owning parent company, etc.)" in paragraph (3) of that Article is deemed to be replaced with 'directors' in Article 427, paragraph (3) of that Act" is deemed to be replaced with "mutatis mutandis to cases if a proposal to amend the articles of incorporation to create provisions of the articles of incorporation under the provisions of paragraph (1) (limited to the provisions of the articles of incorporation to the effect that contracts may be entered into with directors (excluding those who are audit and supervisory committee members or audit committee members)) is submitted to a shareholders meeting"; the phrase "at the first shareholders meeting (if the relevant stock company is an ultimate, wholly owning parent company, etc., when the relevant damage is related to special liabilities, shareholders meeting of the relevant stock company and the relevant ultimate, wholly owning parent company, etc.) convened thereafter" in paragraph (4) of that Article is deemed to be replaced with "at the first shareholders meeting convened thereafter";

and the term "Article 425, paragraphs (4) and (5)" in paragraph (5) of that Article is deemed to be replaced with "the first sentence of Article 425, paragraph (4)"; any other necessary technical replacement of terms is prescribed by Cabinet Order.

(Actions to Enforce Liability against a Mutual Company)

Article 53-37 The provisions of Part VII, Chapter II, Section 2 (excluding Article 847, paragraph (2), Article 847-3, Article 849, paragraphs (2), and paragraphs (6) through (11), Article 851, paragraph (1), item (i) and Article 851, paragraph (2), and Article 853, paragraph (1), items (ii) and (iii)) (Liability Actions, etc. Against a Stock Company) of the Companies Act apply mutatis mutandis to an action for accountability in a mutual company; and the provisions of Section 3 of the relevant Chapter (excluding Article 854, paragraph (1), item (i), (a) and Article 854, paragraphs (2) to (4)) (Action to Dismiss the Officer of a Stock Company) and Article 937, paragraph (1) (limited to the part involving item (i), (j)) (Commissioning of Registration by a Judicial Decision) of that Act apply mutatis mutandis to an action to dismiss the officer of a mutual company. In this case, the term "shareholder, etc." and "stock company, etc." in these provisions (excluding Article 847-4, paragraph (2), Article 848 and Article 849, paragraph (3)) is deemed to be replaced with "member" and "mutual company", respectively; the terms "A shareholder (excluding a holder of shares less than one unit who is unable to exercise rights pursuant to the provisions of the articles of incorporation) having the shares" and "Article 423, paragraph (1)" in Article 847, paragraph (1) (Action for Pursuing Liability, etc. by Shareholders) of that Act is deemed to be replaced with "persons who have been members" and "Article 53-33, paragraph (1) of Insurance Business Act", respectively; the terms "a shareholder, etc. (meaning shareholder, a qualified former shareholder or a shareholder of an ultimate, wholly owning parent company, etc.; hereinafter the same applies in this Section)" and "the shareholder, etc." in Article 847, paragraph (2) (Court Costs for an Action Pursuing Liability) of that Act is deemed to be replaced with "member" and "the member", respectively; the term "the stock company or a wholly owned subsidiary company resulting from the share exchange, etc. (hereinafter referred to as "stock company, etc." in this Section)" in Article 848 (Jurisdiction of an Action) of that Act is deemed to be replaced with "the mutual company"; the phrase "a suit relating to an action for pursuing liability, etc. (in cases of a qualified former shareholder, limited to one related to the liabilities or obligations for which the fact causing them occurs by the time when the act listed in the items of Article 847-2, paragraph (1) becomes effective; in cases of a shareholder of an ultimate, wholly owning parent company, etc., limited to the action pursuing specific liability)" in Article 849, paragraph (1) (Intervention) of that

Act is deemed to be replaced with "a suit relating to an action to enforce liability, etc."; the phrase "In order for a stock company, etc., wholly owning parent company resulting from the share exchange, etc., or ultimate, wholly owning parent company, etc. to intervene in a suit relating to an action for pursuing liability, etc. to assist a director (excluding an audit and supervisory committee member and audit committee member), executive officer, liquidator or a person who was formerly in such a position of a stock company that is the relevant stock company, etc., wholly owned subsidiary company resulting from the share exchange, etc. of the relevant wholly owning parent company resulting from the share exchange, etc., or wholly owned subsidiary company, etc. of the relevant ultimate, wholly owning parent company, etc." in paragraph (3) of that Article is deemed to be replaced with "In order to intervene in a suit relating to an action to enforce liability, etc. to assist a director (excluding an audit and supervisory committee member and audit committee member), executive officer, liquidator or a person who was formerly in such a position of a mutual company"; and the provisions of Article 854, paragraph (1), item (i) of that Act is deemed to be replaced with "members representing at least three thousandths (or any smaller proportion prescribed by the articles of incorporation) of all members, or three thousand (or any smaller number prescribed by the articles of incorporation) or more members of a mutual company (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 38, paragraph (1) of the Insurance Business Act), who have been members of the mutual company without interruption for the preceding six months (or any shorter period prescribed by the articles of incorporation) (or, if the company has a member representatives meeting, those members or nine (or any smaller number prescribed by the articles of incorporation) or more representative members)"; any other necessary technical replacement of terms is prescribed by Cabinet Order.

Subsection 5 Mutual Companies' Accounting
Division 1 Accounting Principles

Article 54 A mutual company's accounting is subject to the business accounting practices generally accepted as fair and appropriate.

Division 2 Financial Statements

(Preparation and Preservation of Accounting Books)

Article 54-2 (1) A mutual company, must prepare accurate accounting books in a timely manner pursuant to the provisions of Cabinet Office Order.

- (2) A mutual company must preserve its accounting books and important materials regarding its business for ten years from the time of the closing of the account books.
- (3) The court may, upon petition or by its own authority, order a party to the litigation to submit its accounting books in whole or in part.

(Preparation and Preservation of Financial Statements)

- Article 54-3 (1) A mutual company, must prepare a balance sheet as of the date of its establishment pursuant to the provisions of Cabinet Office Order.
- (2) A mutual company, pursuant to the provisions of Cabinet Office Order, must prepare financial statements (meaning the balance sheet, profit and loss statement, proposal on appropriation of surplus or disposal of losses and any other statement specified by Cabinet Office Order as necessary and appropriate in order to indicate the status of the mutual company's property and profits or losses; hereinafter the same applies in this Division) and a business report for each business year and their annexed detailed statements.
 - (3) The financial statements, business report, and their annexed detailed statements may be prepared in the form of an electronic or magnetic record.
 - (4) A mutual company must preserve its financial statements and their annexed detailed statements for ten years from the time of preparation of the financial statements.

(Auditing of Financial Statements)

- Article 54-4 (1) In a mutual company (other than a company with accounting auditors), the financial statements and business report and their annexed detailed statements under paragraph (2) of the preceding Article, must be audited by the company auditors pursuant to the provisions of Cabinet Office Order.
- (2) In a company with accounting auditors, the documents listed in the following items must be audited by the persons listed in the relevant items pursuant to the provisions of Cabinet Office Order:
 - (i) the financial statements and their annexed detailed statements set forth in paragraph (2) referred to in the preceding Article: the company auditors (the audit and supervisory committee, in the case of a company with an audit and supervisory committee, or the audit committee, in case of a company with a nominating committee, etc.) and accounting auditors; and
 - (ii) the business report and its annexed detailed statements referred to in paragraph (2) of the preceding Article: the company auditors (the audit and supervisory committee, in the case of a company with an audit and supervisory committee, or the audit committee, in the case of a company with a nominating committee, etc.).

(3) The financial statements and business report, and their annexed detailed statements audited pursuant to the provisions of the preceding two paragraphs must be approved by the board of directors.

(Provision of Financial Statements to Members)

Article 54-5 In giving a notice of convocation of the annual general meeting (or, where the company has a member representatives meeting, the annual member representatives meeting; hereinafter the same applies in this Subsection), the directors, pursuant to the provisions of Cabinet Office Order, must provide the members (or, in a mutual company with a member representatives meeting, representative members; hereinafter the same applies in this Subsection) with the financial statements and business report (including any audit report or financial audit report) that have been approved under paragraph (3) of the preceding Article.

(Submission of Financial Statements at the Annual General Meeting)

Article 54-6 (1) The directors must submit or provide the financial statements and business report approved under Article 54-4, paragraph (3) at the annual general meeting.

(2) The financial statements submitted or provided pursuant to the provisions of the preceding paragraph must be approved at the annual general meeting.

(3) The directors must report the content of the business report submitted or provided pursuant to the provisions of paragraph (1) at the annual general meeting.

(4) In a company with accounting auditors, for the purpose of applying the provisions of the preceding two paragraphs to the cases in which the financial statements approved under Article 54-4, paragraph (3) satisfy the requirements specified by Cabinet Office Order for accurate indication of the status of a mutual company's property and profits or losses in compliance with the laws and regulations and the articles of incorporation, the term "financial statements" in paragraph (2) is to be deemed to be replaced with "proposal on appropriation of surplus or disposal of losses"; and the term "business report" in the preceding paragraph is deemed to be replaced with "financial statements (excluding the proposal on appropriation of surplus or disposal of losses) and business report".

(Public Notice of Financial Statements)

Article 54-7 (1) A mutual company pursuant to the provisions of Cabinet Office Order, must give public notice of its balance sheet (or, in a mutual company set forth in Article 53-14, paragraph (5), its balance sheet, and profit and loss statement) without delay after the conclusion of the annual general meeting.

- (2) Notwithstanding the provisions of the preceding paragraph, it is sufficient for a mutual company which adopts, as its means of public notice, publication in a daily newspaper that publishes the news on current events, to give public notice of the outline of the balance sheet set forth in that paragraph.
- (3) Pursuant to the provisions of Cabinet Office Order, the mutual company set forth in the preceding paragraph, without delay after the conclusion of the annual general meeting, may take measures to make the information contained in the balance sheet provided for in paragraph (1) available to many and unspecified persons by electronic or magnetic means over a continuous period of five years from the date on which the annual general meeting was concluded. In this case, the provisions of the preceding two paragraphs do not apply.
- (4) The provisions of the preceding three paragraphs do not apply to a mutual company which is to submit its securities report to the Prime Minister pursuant to the provisions of Article 24, paragraph (1) (Submission of Securities Report) of the Financial Instruments and Exchange Act (Act No. 25 of 1948).

(Keeping and Inspection of Financial Statements)

- Article 54-8 (1) A mutual company must keep its financial statements and business report for each business year, and their annexed detailed statements (including the audit report or financial audit report; hereinafter referred to as "financial statements, etc." in this Article) at its principal office for a period of five years from the day that is two weeks before the date of the annual general meeting (or, in the case of Article 319, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1), the date of the proposal set forth in that paragraph).
- (2) A mutual company must keep the copies of its financial statements, etc. for each business year at its secondary offices for a period of three years from the day that is two weeks before the date of its annual general meeting (or, in the case of Article 319, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1), the date of the proposal set forth in that paragraph); provided, however, that this does not apply to the cases where the financial statements, etc. have been prepared in the form of an electronic or magnetic record, if the mutual company adopts the measures specified by Cabinet Office Order in order to enable its secondary offices to meet the requests listed in items (iii) and (iv) of the following paragraph.
 - (3) The creditors and insured persons of a mutual company, such as policyholders and beneficiaries of insurance proceeds, may make the following requests at any time during the business hours of the mutual company; provided, however, that they must pay the fees determined by the mutual company in making a request set forth in item (ii) or (iv):

- (i) if the financial statements, etc. have been prepared in writing, a request to inspect or copy the documents;
- (ii) a request to be issued a certified copy or extract of the documents referred to in the preceding item;
- (iii) if the financial statements, etc. are prepared in the form of an electronic or magnetic record, a request to inspect anything that shows the particulars recorded in the electronic or magnetic record in a means specified by Cabinet Office Order; or
- (iv) a request to be provided with the particulars recorded in the electronic or magnetic record set forth in the preceding item by the electronic or magnetic means determined by the mutual company, or to be issued a document stating the particulars.

(Order to Submit Financial Statements)

Article 54-9 The court may, upon petition or by its own authority, order a party to litigation to submit in whole or in part the financial statements and their annexed detailed statements.

(Consolidated Financial Statements)

Article 54-10 (1) A company with accounting auditors may, pursuant to the provisions of Cabinet Office Order, prepare consolidated financial statements (meaning those statements specified by Cabinet Office Order as necessary and appropriate in order to indicate the status of the property and profits or losses of a corporate group consisting of the company with accounting auditors and its substantive subsidiary companies; hereinafter the same applies in this Article) for each business year.

- (2) Consolidated financial statements may be prepared in the form of an electronic or magnetic record.
- (3) An entity that is a mutual company set forth in Article 53-14, paragraph (5) as of the last day of a business year which must submit a securities report to the Prime Minister pursuant to the provisions of Article 24, paragraph (1) of the Financial Instruments and Exchange Act, must prepare consolidated financial statements for the business year.
- (4) Consolidated financial statements must be audited by the company auditors (the audit and supervisory committee, in the case of a company with an audit and supervisory committee, or the audit committee, in case of a company with a nominating committee, etc.) and accounting auditors, pursuant to the provisions of Cabinet Office Order.
- (5) The consolidated financial statements audited pursuant to the provisions the preceding paragraph must be approved by the board of directors.
- (6) The provisions of Article 54-5 and Article 54-6, paragraphs (1) and (3) apply

mutatis mutandis to consolidated financial statements. In this case, the term "content of the business report" in Article 54-6, paragraph (3) is deemed to be replaced with "content of the consolidated financial statements and the result of audit under Article 54-10, paragraph (4)"; any other necessary technical replacement of terms is specified by Cabinet Order.

Division 3 Payment of Interest from Fund, Redemption of Fund, and Distributions of Surplus

(Restrictions on Payment of Interest from Funds)

Article 55 (1) Payment of interest from funds may be made in an amount not exceeding the amount of net assets on the balance sheet after the sum total of the following amounts (referred to as "maximum limit of interest payment" in Article 55-3, paragraph (3), item (i)) has been deducted therefrom:

- (i) the total amount of funds;
- (ii) the loss reserves and the reserves for redemption of funds set forth in Article 56 (including the total amount of any reduction of the reserves for redemption of funds pursuant to the provisions of Article 59, paragraph (2); the same applies in the following paragraph); and
- (iii) other amounts specified by Cabinet Office Order.

(2) Redemption of funds or distribution of surplus may be made in an amount not exceeding the amount of net assets on the balance sheet after deducting the sum total of the following amounts (referred to as "maximum limit of redemption, etc." in Article 55-3, paragraph (3), item (ii)); provided, however, that such redemption or distribution may only be made after the amount credited to assets in the balance sheet pursuant to the provisions of the first sentence of Article 113 (including as applied mutatis mutandis pursuant to Article 272-18) has been amortized in full:

- (i) the total amount of funds;
- (ii) the loss reserves and the reserves for redemption of funds set forth in Article 56;
- (iii) the amount of interest from funds paid under the preceding paragraph;
- (iv) the loss reserves required to be set aside for the accounting period; and
- (v) other amounts specified by Cabinet Office Order.

(3) If a mutual company has made any payment of interest from funds, or redemption of funds or distribution of surplus in violation of the provisions of the preceding two paragraphs, a creditor of the mutual company may have the mutual company refund the money.

(Distributions of Surplus)

Article 55-2 (1) Any distribution of surplus must be made in conformity with the

- standards specified by Cabinet Office Order for fair and equitable distribution.
- (2) A mutual company, if the company makes an appropriation of surplus for each accounting period as the particulars listed in Article 23, paragraph (1), item (vii) prescribed in its articles of incorporation, it must set aside at least the amount calculated by multiplying the appropriable amount specified by Cabinet Office Order by a certain proportion as the reserves for distributing surplus to members pursuant to the provisions of Cabinet Office Order.
 - (3) The certain proportion set forth in the preceding paragraph must not be less than the proportion specified by Cabinet Office Order.
 - (4) Notwithstanding the provisions of the preceding two paragraphs, a mutual company may, if there are unavoidable circumstances in view of the status of its settlement of account, prescribe in its articles of incorporation that, so far as the appropriation of surplus for the accounting period is concerned, the company is to set aside as the reserves specified by Cabinet Office Order under paragraph (2) the amount calculated by multiplying the amount prescribed by Cabinet Office Order under paragraph (2) by a proportion that is smaller than that prescribed by Cabinet Office Order under the preceding paragraph.
 - (5) The provisions in the articles of incorporation referred to in the preceding paragraph do not take effect unless it is approved by the Prime Minister.

(Liability for Payment of Interest from Funds)

Article 55-3 (1) If a mutual company has paid any interest from funds in violation of the provisions of Article 55, paragraph (1), or made any redemption of funds or distribution of surplus in violation of the provisions of paragraph (2) of the same Article, the persons who were granted money due to these actions (hereinafter referred to as "payment of interest from funds, etc." in this Article and the following Article) and the persons listed in the following items are to jointly and severally assume the obligation to pay to the mutual company the corresponding amount of money as that the persons have been granted:

- (i) the executing person who has carried out any duty related to the payment of interest from funds, etc. (meaning the executive director (or, in a company with a nominating committee, etc., executive officer) or any other person specified by Cabinet Office Order as having participated, in the course of duties, in the execution of duties to be carried out by the executive director); and
- (ii) if the annual general meeting has adopted a resolution pertaining to a proposal related to the appropriation of surplus or disposal of losses (limited to the cases in which the content of the proposal approved by the resolution are in violation of the provisions of Article 55, paragraph (1) or (2)), the person specified by Cabinet Office Order as the director who has presented

the proposal to the annual general meeting.

- (2) Notwithstanding the provisions of the preceding paragraph, a person listed in the items of that paragraph is not to assume the obligation under that paragraph, if the person proves that they did not fail to exercise due care in carrying out their duties.
- (3) A person listed in the items of paragraph (1) may not be exempted from the obligation pursuant to the provisions of that paragraph; provided, however, that this does not apply if all of the members agree to exempt the person from the obligation to the amount prescribed in the relevant items in the cases listed in the following items:
- (i) in the case of a payment of interest from funds: maximum limit of interest payment; or
 - (ii) in the case of a redemption of funds or distribution of surplus (excluding the cases set forth in the proviso to Article 55, paragraph (2)): maximum limit of redemption, etc.

(Restrictions on the Right to Obtain Reimbursement from Members)

Article 55-4 If a mutual company has made any payment of interest from funds, etc. in violation of the provisions of Article 55, paragraph (1) or (2), a member without knowledge of the violation is not obliged to meet any request for reimbursement made by a person listed in the items of paragraph (1) of the preceding Article who has paid the money prescribed in that paragraph.

Division 4 Reserves for Redemption of Funds and Loss Reserves

(Establishment of Reserve for Redemption of Funds)

- Article 56 (1) A mutual company, in redeeming its funds, must set aside the amount of money to be redeemed as the reserves for redemption of funds.
- (2) A mutual company, if it has been released from any debt pertaining to its funds, must deduct the amount of debt thus relieved from the total amount of its funds and set it aside as the reserves for redemption of funds.

(Reduction of Reserve for Redemption of Funds)

- Article 57 (1) A mutual company may reduce the amount of the reserves for redemption of funds by a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting).
- (2) The resolution set forth in the preceding paragraph must be a resolution under Article 62, paragraph (2).
- (3) In addition to the documents prescribed in Articles 18, 19 and 46 of the Commercial Registration Act, the following documents must be attached to a written application for registration of change due to any reduction of the

- reserves for redemption of funds pursuant to the provisions of paragraph (1):
- (i) a written statement certifying that the company has given public notice under Article 17, paragraph (2) as applied mutatis mutandis pursuant to the following paragraph following the deemed replacement of terms;
 - (ii) if a policyholder or other creditor has raised their objection under Article 17, paragraph (4) as applied mutatis mutandis pursuant to the following paragraph following the deemed replacement of terms, a document certifying that the company has made payment or provided equivalent security to such policyholder or other creditor or entrusted equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receive the payment, or that the reduction of the reserves for redemption of funds poses no risk of harming the interest of the policyholder or other creditor; and
 - (iii) a document certifying that the number of the policyholders who have stated their objections under Article 17, paragraph (6) as applied mutatis mutandis pursuant to the following paragraph following the deemed replacement of terms has not exceeded one fifth of the total number of policyholders set forth in that paragraph, or a document certifying that the amount specified by Cabinet Office Order as belonging to those policyholders has not exceeded one fifth of the total amount set forth in that paragraph.
- (4) The provisions of Article 16, paragraph (1) (excluding the proviso) and paragraph (2), Article 17 (excluding the proviso to paragraph (1)), Article 17-2, paragraph (4), and Article 17-4 apply mutatis mutandis to a reduction of the reserves for redemption of funds under paragraph (1). In this case, the term "reduction of the stated capital, etc." in those provisions is deemed to be replaced with "reduction of the reserves for redemption of funds"; the terms "A stock company" and "ranging from two weeks before the date of the shareholders' meeting pertaining to the resolution on the reduction of the stated capital, etc. (or, the date of the board of directors meeting if Article 447, paragraph (3) (Reductions in Amount of Stated Capital) or Article 448, paragraph (3) (Reductions in Amount of Reserves) of the Companies Act applies) to six months from the effective date of the reduction of the capital, etc." in Article 16, paragraph (1) are deemed to be replaced with "In the case of Article 57, paragraph (1), a mutual company" and "ranging from two weeks before the date of the general meeting (or the member representatives meeting, if the company has such a meeting) pertaining to the resolution under that paragraph to six months from the date of the reduction of the reserves for redemption of funds" respectively; the phrase "If a stock company reduces the amount of its stated capital, etc. (excluding the cases where the whole of the amount by which the reserves are reduced is appropriated to the capital)" in Article 17, paragraph (1) is deemed to be replaced with "In the case of Article

57, paragraph (1)"; and the term "Article 447, paragraph (1) (Reductions in Amount of the Stated Capital) or Article 448, paragraph (1) (Reductions in Amount of Reserves) of the Companies Act" in Article 17, paragraph (6) is deemed to be replaced with "Article 57, paragraph (1)"; any other necessary technical replacement of terms is specified by Cabinet Order.

- (5) Any reduction of the reserves for redemption of funds pursuant to the provisions of paragraph (1) does not take effect unless it is approved by the Prime Minister.
- (6) The provisions of Article 828, paragraph (1) (limited to the part involving item (v)) and (2) (limited to the part involving item (v)) (Actions to Invalidate Acts Concerning the Organization of a Company), Article 834 (limited to the part involving item (v)) (Defendant), Article 835, paragraph (1) (Jurisdiction over Actions), Articles 836 through 839 (Order to Provide Security, Mandatory Consolidation of Oral Arguments, Persons Affected by If a Judgment Being Upheld, Effects of a Judgment of Invalidity, Revocation or Rescission), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (1) (limited to the part involving item (i), (d)) (Commissioning of Registration by a Judicial Decision) of the Companies Act apply mutatis mutandis to an action to invalidate a reduction of the reserves for redemption of funds. In this case, the term "shareholders, etc." in Article 828, paragraph (2), item (v) of that Act is deemed to be replaced with "members, directors, company auditors or liquidators (members, directors or liquidators, in the case of a company with an audit and supervisory committee, or members, directors, executive officers or liquidators, in the case of a company with a nominating committee, etc.) of a mutual company"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Loss Reserve)

Article 58 A mutual company must set aside at least three thousandths of the amount expended in each accounting period for appropriation of surplus (including the part of the reserves set forth in Article 55-2, paragraph (2) that is to be set aside pursuant to the provisions of Cabinet Office Order) as the loss reserve, until the time as its funds (including the reserves for redemption of funds set forth in Article 56) reach their full amount (or any larger amount prescribed by the articles of incorporation).

(Reduction of Loss Reserve to Compensate for Losses)

- Article 59 (1) The loss reserves may not be reduced, except in the case of allocating it to loss compensation.
- (2) By derogation from Article 57, the reserves for redemption of funds may be reduced to compensate for the losses, if the loss reserves are not sufficient to

cover the losses.

Subsection 6 Solicitation of Additional Fund

(Solicitation of Additional Funds)

Article 60 (1) A mutual company, even after its establishment, may solicit additional funds by a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting; hereinafter the same applies in this paragraph). In this case, the mutual company must determine the amount of the additional funds by a resolution of the general meeting.

(2) The resolution specified in the preceding paragraph must be a resolution under Article 62, paragraph (2).

(Offer of Contributions of Funds)

Article 60-2 (1) A mutual company must notify the persons who seek to make an offer to contribute funds in response to solicitation referred to in paragraph (1) of the preceding Article of the following particulars:

- (i) particulars listed in Article 23, paragraph (1), item (ii) and items (iv) through (vi);
- (ii) the amount of the additional funds to be solicited, the rights held by the contributors to the funds and the method of redemption of the funds;
- (iii) payment date; and
- (iv) place where the payment of contribution of funds is handled at the banks, etc.

(2) A person who offers to contribute to funds in response to the solicitation under paragraph (1) of the preceding Article must submit a document stating the following particulars to the mutual company:

- (i) name and address of the person who makes the offer; and
- (ii) planned amount of contribution of funds.

(3) In addition to the documents specified in Article 18 and Article 46 of the Commercial Registration Act as applied mutatis mutandis pursuant to Article 67, the following documents must be attached to the written application for registration of change due to any solicitation of additional funds under paragraph (1) of the preceding Article:

- (i) a document certifying the offer of a contribution of funds or a contract under Article 30 as applied mutatis mutandis pursuant to the following paragraph; and
- (ii) a document certifying that payment has been made to the funds under Article 30-3, paragraph (1) as applied mutatis mutandis pursuant to the following paragraph.

- (4) The provisions of Article 28, paragraphs (3) through (6), Articles 29 through 30-2, Article 30-3 (excluding paragraphs (2) and (3)), Article 30-5, paragraphs (2) and (3) of this Act and Article 209, paragraph (1) (Timing of Shareholders Status) (excluding item (ii)) of the Companies Act apply mutatis mutandis to the solicitation of additional funds under paragraph (1) of the preceding Article. In this case, the term "incorporators" in those provisions is deemed to be replaced with "mutual company"; the term "preceding paragraph" in Article 28, paragraph (3) is deemed to be replaced with "Article 60-2, paragraph (2)"; the terms "the items of paragraph (1)" and "paragraph (2)" in Article 28, paragraph (4) are deemed to be replaced with "Article 60-2 the items of paragraph (1)" and "paragraph (2) of the same Article", respectively; the term "paragraph (2), item (i)" in Article 28, paragraph (5) is deemed to be replaced with "Article 60-2, paragraph (2), item (i)"; the term "paragraph (2), item (ii) of the preceding Article" in Article 29, paragraph (1) is deemed to be replaced with "Article 60-2, paragraph (2), item (ii)"; the term "the preceding two Articles" in Article 30 is deemed to be replaced with "Article 60-2, paragraph (1) (excluding item (iii)), and Article 28, paragraphs (3) to (6) and the preceding Article as applied mutatis mutandis pursuant to paragraph (4) of the same Article"; the terms "without delay" and "Article 28, paragraph (1), item (iii)" in Article 30-3, paragraph (1) are deemed to be replaced with "on the date set forth in Article 60-2, paragraph (1), item (iii)" and "Article 60-2, paragraph (1), item (iv)", respectively; the term "solicited at incorporation who has received the notice under paragraph (2), unless they make the payment by the date set forth in that paragraph" in Article 28, paragraph (5) is deemed to be replaced with ", unless they make the payment by the date set forth in paragraph (1)"; and the term "After the establishment of the mutual company" in Article 30-5, paragraph (3) is deemed to be replaced with "After a year has elapsed since the date of registration of change due to a solicitation of additional funds under Article 60, paragraph (1)"; any other necessary technical replacement of terms is specified by Cabinet Order.
- (5) The provisions of Article 828, paragraph (1) (limited to the part pertaining to item (ii)) and (2) (limited to the part involving item (ii)) (Actions to Invalidate Acts Concerning the Organization of a Company), Article 834 (limited to the part involving item (ii)) (Defendant), Article 835, paragraph (1) (Jurisdiction over Actions), Article 836, paragraphs (1) and (3) (Order to Provide Security), Articles 837 to 840 (Mandatory Consolidation of Oral Arguments, Persons Affected by a Judgment Being Upheld, Effects of a Judgment of Invalidity, Revocation or Rescission, Effects of a Judgment Invalidating New Share Issue), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (1) (limited to the part involving item (i), (b)) (Commissioning of Registration by a Judicial Decision) of the Companies

Act apply mutatis mutandis to an action to invalidate a solicitation of additional funds under paragraph (1) of the preceding Article; and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), the main clause of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (ii)) (Immediate Appeal), the main clause of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Articles 875 to 877 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act, Supreme Court Rules, Mandatory Consolidation of Hearings, etc.) and Article 878, paragraph (1) (Effect of Judicial Decision) of that Act apply mutatis mutandis to an application under Article 840, paragraph (2) of that Act as applied mutatis mutandis pursuant to this paragraph. In this case, the term "shareholders, etc." in Article 828, paragraph (2), item (ii) of that Act is deemed to be replaced with "members, directors, company auditors or liquidators (members, in the case of a company with an audit and supervisory committee, or, members, directors, executive officers or liquidators, in the case of a company with a nominating committee, etc.)"; any other necessary technical replacement of terms is specified by Cabinet Order.

Subsection 7 Solicitation of Subscribers for Corporate Bonds Issued by a Mutual Company

(Decision of the Particulars of Corporate Bonds for Subscription)

Article 61 Before a mutual company seeks to solicit persons to subscribe for the corporate bonds that it issues (meaning the monetary claims against the mutual company which accrue as a result of any allocation made by the mutual company pursuant to the provisions of this Act and which are to be redeemed under the conditions that have been fixed with regard to the following particulars; hereinafter the same applies in this Subsection), the mutual company must establish the following particulars with regard to the corporate bonds for subscription (meaning the corporate bonds that will be allocated to the persons who have subscribed for the corporate bonds in response to the solicitation; hereinafter the same applies in this Subsection):

- (i) the total monetary amount of the corporate bonds for subscription;
- (ii) the monetary amount of each corporate bond for subscription;
- (iii) the interest rate on the corporate bonds for subscription;
- (iv) the method and due date of redemption of the corporate bonds for subscription;
- (v) the method and deadline of interest payment;
- (vi) if corporate bond certificates are to be issued, that fact;
- (vii) if it is to be arranged that the corporate bondholder may not make in

- whole or in part a demand under Article 698 of the Companies Act as applied mutatis mutandis pursuant to Article 61-5, that fact;
- (viii) if it is to be arranged that the corporate bond manager may take the action listed in Article 61-7, paragraph (4), item (ii) without a resolution of the bondholders meeting, that fact;
 - (ix) the amount to be paid in for each corporate bond for subscription (meaning the amount of money to be paid in exchange for each corporate bond for subscription: hereinafter the same applies in this Subsection) or the minimum amount thereof, or the method of calculating the amount;
 - (x) due date for payment of the money in exchange for the corporate bonds for subscription;
 - (xi) if it is to be arranged that the corporate bonds for subscription will not be issued in their entirety if the persons to whom the corporate bonds for subscription will be allocated have not been established by a certain date for the total monetary amount of the corporate bonds, that fact and that certain date; and
 - (xii) beyond what is set forth in the preceding items, particulars specified by Cabinet Office Order.

(Offer to Subscribe for Corporate Bonds)

- Article 61-2 (1) A mutual company must notify the persons who seek to make an offer to subscribe for corporate bonds in response to a solicitation under the preceding Article of the following particulars:
- (i) name of the mutual company;
 - (ii) particulars listed in the items of the preceding Article pertaining to the solicitation; and
 - (iii) beyond what is set forth in the preceding two items, the particulars specified by Cabinet Office Order.
- (2) A person who offers to subscribe for corporate bonds in response to the solicitation under the preceding Article must submit a document stating the following particulars to the mutual company:
- (i) name and address of the person who makes the offer;
 - (ii) the total par value of the corporate bonds for which they seek to subscribe and the number of bonds by par value; and
 - (iii) if the mutual company has prescribed the minimum amount under item (ix) of the preceding Article, the preferred amount to be paid in.
- (3) A person who makes an offer under the preceding paragraph may, in lieu of submitting the document prescribed in that paragraph, and pursuant to the provisions of Cabinet Order, provide the particulars that are required to be stated in the document by electronic or magnetic means, with the consent of the mutual company. In this case, the person who has made the offer is deemed

to have submitted the document prescribed in that paragraph.

- (4) The provisions of paragraph (1) do not apply to the cases where the mutual company has issued to the person who seeks to make an offer under paragraph (1) the prospectus prescribed in Article 2, paragraph (10) (Definitions) of the Financial Instruments and Exchange Act that states the particulars listed in the items of paragraph (1), or to any other case specified by Cabinet Office Order as posing no risk to the protection of persons who seek to offer to subscribe for corporate bonds.
- (5) The mutual company must immediately notify a person who has made an offer under paragraph (2) (hereinafter referred to as "offeror" in this Subsection) of any change in the particulars listed in the items of paragraph (1) and the particular affected by the change.
- (6) It is sufficient for a notice or demand to an offeror to be sent by the mutual company to the address specified under paragraph (2), item (i) (or to any other place or contact address of which the offeror has notified the mutual company for the receipt of notices or demands).
- (7) The notice or demand in the preceding paragraph is deemed to have arrived at the time when the notice or demand would normally have arrived.

(Allocation of Corporate Bonds for Subscription)

Article 61-3 (1) The mutual company must select from among the offerors the persons to receive allocation of the corporate bonds for subscription, and determine the par value, and the number by name, of the corporate bonds for subscription to be allocated to each of those persons. In this case, the mutual company may reduce the number of the corporate bonds for subscription to be allocated to each offeror from the number prescribed in paragraph (2), item (ii) of the preceding Article.

- (2) The mutual company must notify the offerors, no later than the day prior to the date referred to in Article 61, item (x) of the par value, and the number by name, of the corporate bonds for subscription that will be allocated to each offeror.

(Special Provisions on Offers for Corporate Bonds for Subscription and the Allocation Thereof)

Article 61-4 The provisions of the preceding two Articles do not apply to the cases if a person who seeks to subscribe for corporate bonds concludes a contract for the subscription for the total amount of those corporate bonds.

(Application, Mutatis Mutandis, of the Companies Act)

Article 61-5 The provisions of Articles 680 through 683 (Bondholders of Bonds for Subscription, Bond Registry, Delivery of Document Stating Matters to Be

Stated in Bond Registry, Management of Bond Registry), Article 684 (excluding paragraphs (4) and (5)) (Keeping of the Bond Registry and Making It Available for Inspection) and Articles 685 to 701 (Notices to Bondholders, Exercise of Rights by Co-owners, Assignment of Bonds with Issued Certificates, Perfection of Assignment of Bonds, Presumption of Rights, Stating or Recording Matters to Be Stated in Bond Registry Without Request from Bondholders, Stating or Recording Matters to Be Stated in Bond Registry as Requested by Bondholders, Pledges of Bonds with Issued Certificates, Perfection of Pledge of Bonds, Entries in Bond Registry Regarding Pledges, Delivery of Documents Stating Matters to Be Stated in Bond Registry Regarding Pledges, Perfection Requirements for Bonds Belonging to Trust Property, etc., Issuing of Bond Certificates, Matters to Be Stated on Bond Certificates, Conversions between Registered Bonds and Bearer Bonds, Loss of Bond Certificates, Redemption of Bonds where Coupons are Missing, Extinctive Prescription of Right to Claim Redemption of Bonds) of the Companies Act apply mutatis mutandis to the cases if a mutual company issues corporate bonds. In this case, the term "bond-issuing company" in those provisions is deemed to be replaced with "corporate bond issuing mutual company"; the term "the preceding Article" in Article 680, item (ii) of that Act is deemed to be replaced with "Article 61-4 of the Insurance Business Act"; the term "Article 676, items (iii) through (viii)" in Article 681, item (i) of that Act is deemed to be replaced with "Article 61, items (iii) through (viii) of the Insurance Business Act"; the term "Article 720, paragraph (1)" in Article 685, paragraph (5) of that Act is deemed to be replaced with "Article 720, paragraph (1) as applied mutatis mutandis pursuant to Article 61-8, paragraph (2) of the Insurance Business Act"; and the term "Article 676, item (vii)" in Article 698 of that Act is deemed to be replaced with "Article 61, item (vii) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Designation of a Corporate Bond Manager)

Article 61-6 In issuing bonds, a mutual company must designate a corporate bond manager to be entrusted with the receipt of payments, preservation of claims and other corporate bond administration on behalf of the corporate bondholders; provided, however, that this does not apply to the cases where the par value of each corporate bond is one hundred million yen or more, or any other case specified by Cabinet Office Order as posing no risk to the protection of corporate bondholders.

(Authority of a Corporate Bond Manager)

Article 61-7 (1) The corporate bond manager is to have the authority to carry out any action in or out of court to receive payments of claims on the corporate

bonds for the corporate bondholders, or to secure the realization of claims on the corporate bonds.

- (2) If the corporate bond manager has received any payment under the preceding paragraph, the corporate bondholders may demand the payment of the redeemed amount of corporate bonds and interest thereon from the corporate bond manager. In this case, the corporate bondholders must demand the payment of the redeemed amount in exchange for corporate bond certificates, and the payment of the interest in exchange for coupons, if the issuance of corporate bond certificates is specified.
- (3) If a claim under the first sentence of the preceding paragraph has not been exercised for ten years from the time when it becomes exercisable, it is extinguished by prescription.
- (4) The corporate bond manager may not take the following actions without a resolution of the corporate bondholders meeting; provided, however, that this does not apply to the actions listed in item (ii), if there is a provision with respect to the particulars listed in Article 61, item (viii):
 - (i) suspension of the payment for the entirety of the corporate bonds, exemption from any liability resulting from a default on their debt, or settlement (excluding the actions listed in the following item);
 - (ii) procedural actions with respect to the entirety of the corporate bonds, or any action involved in bankruptcy proceedings, rehabilitation proceedings, corporate reorganization proceedings or proceedings for special liquidation (excluding the action set forth in paragraph (1)).
- (5) If the corporate bond manager has taken the act listed in item (ii) of the preceding paragraph without a resolution of the corporate bondholders meeting pursuant to the proviso to that paragraph, the corporate bond manager must give public notice of this without delay, and notify each of the known corporate bondholders of this.
- (6) A public notice under the preceding paragraph must be made in accordance with the means of public notice adopted by the corporate bond issuing mutual company; provided, however, that the public notice must be given by way of publication in the Official Gazette, if that means is an electronic public notice.
- (7) If it is necessary to take the action listed in paragraph (1) or the items of paragraph (4) with respect to the bonds with whose administration the corporate bond manager has been entrusted, the corporate bond manager may investigate the status of the business and property of the corporate bond issuing mutual company with the permission of the court.
- (8) The provisions of Article 703 (Qualifications of Bond Managers), Article 704 (Obligations of Bond Managers), Articles 707 through 714 (Appointment of Special Agent, Method of Acts of Bond Managers, Special Provisions on Multiple Bond Managers, Liability of Bond Manager, Resignation of Bond

Managers, Liability of Bond Managers after Resignation, Dismissal of Bond Managers, Succession of Bond Manager's Administration of Bonds), Article 868, paragraph (4) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (1) (limited to the part pertaining to item (ii)) (Hearing of Statements), Article 871 (Appending of the Reason), Article 872 (limited to the part pertaining to item (iv)) (Immediate Appeal), Article 874 (limited to the part pertaining to items (i) and (iv)) (Restrictions on Appeal), Article 875 (Mandatory Consolidation of Hearings, etc.) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to a corporate bond manager. In this case, the term "bond-issuing company" in those provisions is deemed to be replaced with "corporate bond issuing mutual company"; the term "this Act" in Article 710, paragraph (1) of that Act is deemed to be replaced with "the Insurance Business Act"; and the term "Article 702" in Article 711, paragraph (2) of that Act is deemed to be replaced with "Article 61-6 of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Bondholders Meeting)

- Article 61-8 (1) The bondholders are to organize a corporate bondholders meeting for each class of the corporate bond (meaning the class of bond set forth in Article 681, item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 61-5).
- (2) The provisions of Part IV, Chapter III (excluding Article 715 and Article 740, paragraph (3)) (Bondholders' Meeting), Part VII, Chapter II, Section 7 (Action to Rescind Performance by a Company That Issues Bonds), Article 868, paragraph (4) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (1) (limited to the part pertaining to items (vii) through (ix)) (Hearing of Statements), Article 871 (Appending of the Reason), Article 872 (limited to the part pertaining to item (iv)) (Immediate Appeal), Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 874 (limited to the part pertaining to item (iv)) (Restrictions on Appeal), Article 875 (Mandatory Consolidation of Hearings, etc.) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the cases if a mutual company issues bonds. In this case, the term "bond-issuing company" in those provisions are deemed to be replaced with "corporate bond issuing mutual company"; the term "under Article 705, paragraphs (1) through (3), and under Articles 708 and 709" in Article 737, paragraph (2) (Execution of Resolutions of Bondholders' Meetings) of that Act is deemed to be replaced with "of Article 61-7, paragraphs (1) through (3) of the Insurance Business Act, and the provisions of Articles 708 and 709 as applied mutatis mutandis pursuant to Article 61-7, paragraph (8) of that Act"; and the term

"the provisions of Article 449, Article 627, Article 635, Article 670, Article 779 (including as applied mutatis mutandis pursuant to Article 781, paragraph (2)), Article 789 (including as applied mutatis mutandis pursuant to Article 793, paragraph (2)), Article 799 (including as applied mutatis mutandis pursuant to Article 802, paragraph (2)) or Article 810 (including as applied mutatis mutandis pursuant to Article 813, paragraph (2))" in Article 740, paragraph (1) (Special Provisions on Objection Procedures for Creditors) of that Act is deemed to be replaced with "Article 17 (excluding the proviso to paragraph (1)) of the Insurance Business Act as applied mutatis mutandis pursuant to Article 57, paragraph (4) of that Act, and Articles 88 and 165-17 (including as applied mutatis mutandis pursuant to Article 165-20 of that Act) of that Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Application of the Secured Bond Trust Act)

Article 61-9 For the purpose of applying the Secured Bond Trust Act (Act No. 52 of 1905) and other laws and regulations specified by Cabinet Order, the corporate bonds, pursuant to the provisions of Cabinet Order, are to be deemed to be corporate bonds as defined in Article 2, item (xxiii) (Definitions) of the Companies Act.

(Special Provisions on Short-Term Corporate Bonds)

Article 61-10 (1) A bond registry is not required for the corporate bonds which meet all of the following requirements (referred to as "short-term corporate bonds" in the following paragraph):

- (i) the par value of each corporate bond is not less than one hundred million yen;
- (ii) the due date for redemption of the principal is fixed on a day within one year from the payment date of the total amount of the corporate bonds, and no judgment has been made authorizing installment payments;
- (iii) the due date for interest payment is fixed on the same day as the due date for redemption under the preceding item; and
- (iv) no security is furnished pursuant to the provisions of the Secured Bond Trust Act.

(2) The provisions of Articles 61-6 to 61-8 do not apply to short-term corporate bonds.

Subsection 8 Amendment to Articles of Incorporation

Article 62 (1) An amendment to the articles of incorporation requires a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting).

(2) Notwithstanding the provisions of Article 37-3, paragraph (1) and Article 44, paragraph (1), the resolution set forth in the preceding paragraph is adopted by a three-quarter majority vote of the attending members at a session if at least half of the members are present (or by a three-quarter majority vote of the attending representative members at a session of a member representatives meeting at which at least half of the representative members are present).

Subsection 9 Transfer of Business

Article 62-2 (1) A mutual company, before it takes any of the following actions, must have the contract for the action authorized by a resolution of the general meeting no later than the day prior to the effective date of the action:

- (i) transfer of the whole business;
- (ii) transfer of any material part of the business (excluding the cases in which the book value of the assets to be transferred by the transfer does not exceed one fifth (or any smaller proportion prescribed by the articles of incorporation) of the amount of the total assets of the mutual company as calculated by the method specified by Cabinet Office Order);
- (ii)-2 transfer of the whole or part of shares or equity interests in its substantive subsidiary companies (limited to a transfer which falls under all of the following sub-items):
 - (a) the book value of the shares or equity interests to be assigned by the transfer exceeds one-fifth (or any smaller proportion prescribed by the articles of incorporation) of the amount of the total assets of the mutual company calculated by the method specified by Cabinet Office Order; and
 - (b) the mutual company does not hold the majority of the total voting rights of the substantive subsidiary companies as of the date when the transfer takes effect;
- (iii) acquisition of the whole of business of another company (including a mutual company, foreign company or any other corporation); or
- (iv) acquisition at any time within two years after the establishment of the mutual company (limited to the cases in which the mutual company was incorporated pursuant to the provisions of Subsection 2; hereinafter the same applies in this item) of any asset that has existed since before its establishment and is to be used constantly for conducting its business; provided, however, that this does not apply to the cases in which the proportion of the amount listed in (a) to that listed in (b) does not exceed one fifth (or any smaller proportion prescribed by the articles of incorporation):
 - (a) the total book value of the property to be delivered in exchange for the asset;

- (b) the amount of the net assets of the mutual company as calculated by the method specified by Cabinet Office Order.
- (2) The resolution set forth in the preceding paragraph must be a resolution under paragraph (2) of the preceding Article.

Subsection 10 Miscellaneous Provisions

(Non-Member Contract)

- Article 63 (1) A mutual company may, by provisions in its articles of incorporation, exclude from its membership the holders of non-participating policies or any other class of insurance policy specified by Cabinet Office Order.
- (2) The articles of incorporation set forth in the preceding paragraph must specify in addition to the class of insurance policy to which that paragraph applies, other particulars specified by Cabinet Office Order.
- (3) A mutual company must not underwrite the insurance policies set forth in paragraph (1) that exceed the limit specified by Cabinet Office Order.
- (4) Pursuant to the provisions of Cabinet Office Order, a mutual company, if it underwrites any of the insurance policies set forth in paragraph (1), must separate the accounting for those insurance policies from that for the insurance policies held by the members who are policyholders.
- (5) The provisions of Part III, Chapter VII (Marine Insurance) of the Commercial Code apply mutatis mutandis to the insurance policies set forth in paragraph (1) (limited to those which fall under the category of a marine insurance contract). In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (6) Beyond what is prescribed in the preceding paragraphs, necessary particulars of the insurance policies set forth in paragraph (1) is specified by Cabinet Office Order.

(Application, Mutatis Mutandis, of the Companies Act)

- Article 63-2 The provisions of Article 824 (Dissolution Order for a Company), Article 826 (Duty of a Government Agency to Give Notice to the Minister of Justice), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (1) (Hearing of Statements) (limited to the part involving item (x)), the main text of Article 871 (Appending of the Reason), Article 872 (Immediate Appeal) (limited to the part involving item (iv)), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act), Article 876 (Supreme Court Rules), Article 904 (Participation of the Minister of Justice) and Article 937, paragraph (1) (Commissioning of Registration by a Judicial Decision) (limited to the part

involving item (iii), (b)) of the Companies Act apply mutatis mutandis to an order for dissolution of a Mutual Company; and the provisions of Article 825 (Special Provisions on a Temporary Restraining Order Concerning Property of a Company), Article 868, paragraph (1), Article 870, paragraph (1) (limited to the part involving item (i)), Article 871, Article 872 (limited to the parts pertaining to items (i) and (iv)), Article 873, Article 874 (Restrictions on Appeal) (limited to the part involving items (ii) and (iii)), Article 875, Article 876, Article 905 and Article 906 (Special Provisions on a Temporary Restraining Order Concerning Property of a Company) of that Act apply mutatis mutandis to preservation of properties of a mutual company in case if a petition under Article 824, paragraph (1) of that Act as applied mutatis mutandis pursuant to this Article has been filed. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Registration of Incorporation)

Article 64 (1) A mutual company must complete its registration of incorporation at the locality of its principal office within two weeks from the date of conclusion of the organizational meeting (or from the date of resignation of the incorporators pursuant to the provisions of Article 30-12, paragraph (3)).

(2) The following particulars must be registered in the registration under the preceding paragraph:

- (i) particulars listed in Article 23, paragraph (1), item (i), item (ii) and items (iv) through (vii);
- (ii) the location of the offices;
- (iii) the names of the directors (excluding directors of a company with an audit and supervisory committee);
- (iv) the name and address of the representative director (excluding the cases set forth in item (xii));
- (v) if the company is a company with accounting advisors, that fact, and the names of the accounting advisors and the place set forth in Article 378, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-17;
- (vi) if the company is a company with auditors, that fact and the names of the company auditors;
- (vii) if the company is a company with a board of company auditors, that fact, and if there are outside auditors among its auditors, that fact;
- (viii) if the company is a company with a accounting auditors, that fact and the names of the accounting auditors;
- (ix) the name of a person appointed pursuant to the provisions of Article 53-12, paragraph (4) to temporarily carry out the duties of a accounting auditor;
- (x) if it is prescribed that the special directors (meaning the special directors

- prescribed in Article 373, paragraph (1) of the Companies Act; the same applies hereinafter) may adopt a resolution under that paragraph as applied mutatis mutandis pursuant to Article 53-16, the following particulars:
- (a) the fact that the special directors may adopt a resolution under Article 373, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16;
 - (b) the names of the special directors; and
 - (c) the fact that any outside directors among the directors are outside directors;
- (xi) if the company is a company with an audit and supervisory committee, that fact and the following particulars:
- (a) the names of directors who are audit and supervisory committee members and other directors;
 - (b) for the directors who are outside directors, the fact that they are outside directors; and
 - (c) if there is a provision in the articles of incorporation in relation to delegation of decision to directors for the execution of important business under Article 53-23-3, paragraph (6), that fact;
- (xii) if the company is a company with a nominating committee, etc., that fact and the following particulars:
- (a) the fact that any outside directors among the directors are outside directors;
 - (b) the names of the members of each committee and its executive officers; and
 - (c) the name and address of its representative executive officer;
- (xiii) provisions in the articles of incorporation for the exemption from liabilities of directors, executive officers, accounting advisors, company auditors or accounting auditors under Article 426, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36;
- (xiv) provisions in the articles of incorporation for the conclusion of contracts regarding the limit of the liabilities to be assumed by directors (excluding directors who are executive directors, etc.), accounting advisors, company auditors, or accounting auditors under Article 427, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-36;
- (xv) if the company seeks to take measures referred to in Article 54-7, paragraph (3), among the particulars necessary for allowing many and unspecified persons to receive the information contained in the balance sheet set forth in paragraph (1) of that Article, those specified by Cabinet Office Order;
- (xvi) provisions in the articles of incorporation for the means of public notice under Article 23, paragraph (1), item (viii);

- (xvii) if the provisions in the articles of incorporation set forth in the preceding item specify electronic public notice as the means of public notice, the following particulars:
- (a) particulars prescribed in Article 911, paragraph (3), item (xxviii), (a) (Registration of Incorporation of a Stock Company) of the Companies Act which are necessary for ensuring that the information made public by electronic public notice is available to many and unspecified persons; and
 - (b) provisions in the articles of incorporation under the second sentence of Article 23, paragraph (3); and
- (xviii) provisions in the articles of incorporation under the second sentence of Article 113 (including as applied mutatis mutandis pursuant to Article 272-18).
- (3) The provisions of Article 915, paragraph (1) (Registration of a Change), Article 916 (limited to the part involving item (i)) (Registration of Relocation of Head Office to a District under the Jurisdiction of Another Registry), Article 918 (Registration of a Manager) and Part VII, Chapter IV, Section 2, Subsection 2 (excluding Article 932) (Registration at the Location of a Branch Office) of the Companies Act apply mutatis mutandis to a mutual company; and the provisions of Article 917 (limited to the part involving item (i)) (Registration of a Provisional Disposition, etc. Suspending Execution of Duties) of that Act apply mutatis mutandis to the directors, executive officers, accounting advisors, company auditors, representative director, committee members of each committee or representative executive officer of a mutual company. In this case, the phrase "the items of Article 911, paragraph (3) and the items of the three preceding Articles" in Article 915, paragraph (1) of that Act is deemed to be replaced with "the items of Article 64, paragraph (2) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Application for Registration of Incorporation)

Article 65 The following documents must be attached to a written application referred to in paragraph (1) of the preceding Article, in addition to the documents set forth in Article 18, Article 46 and Article 47, paragraph (3) of the Commercial Registration Act as applied mutatis mutandis pursuant to Article 67:

- (i) articles of incorporation;
- (ii) a document certifying the offer to contribute funds or the contract set forth in Article 30;
- (iii) list of prospective members;
- (iv) in the case of a solicitation of members, a document certifying each prospective member's application for membership;

- (v) if the articles of incorporation state or record the particulars listed in the items of Article 24, paragraph (1), the following documents:
 - (a) a document stating the investigation report of the inspector or the directors at incorporation (or the directors at incorporation and company auditors at incorporation, if the mutual company to be incorporated is a company with auditors) and its annexed documents;
 - (b) in the case listed in Article 33, paragraph (10), item (ii) of the Companies Act as applied mutatis mutandis pursuant to Article 24, paragraph (2), a document certifying the market value of the securities set forth in that item; and
 - (c) in the case listed in Article 33, paragraph (10), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 24, paragraph (2), a document stating the verification set forth in that item and attached documents thereto;
- (vi) a certified copy of the juridical decision on the report of the inspector;
- (vii) a certificate of deposit of money referred to in Article 30-4, paragraph (1);
- (viii) a document regarding the appointment of the representative director at incorporation by the directors at incorporation;
- (ix) if the mutual company to be incorporated is a company with a nominating committee, etc., a document regarding the election of the executive officers at incorporation, and the appointment of the committee members at incorporation and representative executive officer at incorporation;
- (x) minutes of the organizational meeting;
- (xi) a document certifying that the directors at incorporation, company auditors at incorporation, and representative director at incorporation (if a mutual company to be incorporated is a company with an audit and supervisory committee, directors at incorporation who are audit and supervisory committee members at incorporation, other directors at incorporation, and representative director at incorporation, or if a mutual company to be incorporated is a company with a nominating committee, etc., directors at incorporation, committee members at incorporation, executive officers at incorporation and representative executive officer at incorporation) elected or appointed pursuant to the provisions of this Act have accepted the assumption of office;
- (xii) if accounting advisors at incorporation or accounting auditors at incorporation have been elected, the following documents:
 - (a) a document certifying that they have accepted the assumption of office;
 - (b) if those persons are corporations, certificates of registered information for the corporations; provided, however, that this does not apply to the cases in which the principal offices of those corporations are located within the district under the jurisdiction of the relevant registry office; and

- (c) if those persons are not corporations, a document certifying that the accounting advisors at incorporation meet the requirement of Article 333, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-4, or that the accounting auditors at incorporation meet the requirement of Article 337, paragraph (1) of that Act as applied mutatis mutandis pursuant to Article 53-7; and
- (xiii) if it is prescribed that the special directors may adopt a resolution under Article 373, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-16, a document certifying the appointment of the special directors and their acceptance of the assumption of office.

(Registries)

Article 66 A registry office is to keep a register of mutual companies.

(Application, Mutatis Mutandis, of the Companies Act and the Commercial Registration Act to the Registration of Mutual Companies)

Article 67 The provisions of Part VII, Chapter IV, Section 1 (excluding Article 907) (General Provisions) of the Companies Act, and the provisions of Articles 1-3 to 5 (Registry Office, Delegation of Affairs, Suspension of Affairs, Registrar, Disqualification of Registrar), Articles 7 through 15 (Corporate Number, Prohibition on Carrying Out of Registries and Other Documents, Loss and Restoration of Registries, Prevention of Loss of Registry, Issuance of Certificate of Registered Matters, Issuance of Documents Specifying Extract of Matters Registered, Inspection of Annexed Documents, Certificate of Seal Impression, Certification of Matters Required for Verification of Measures to Identify the Creator of Electronic or Magnetic Records and Other Matters, Fees, Registration Upon Application by a Relevant Party, Registration upon Commission), Articles 17 through 27 (Method of Application for Registration, Documents to Be Attached to Written Application, Electronic or Magnetic Record to be Attached to Written Application, Special Provisions on Documents to be Attached, Submission of Seal Impression, Acceptance of Applications, Receipt, Order of Registration, Identity Confirmation by Registrar, Dismissal of Application, Registration to be Made After Lapse of Period for Filing Action, Change in Administrative Zone, etc., Prohibition of Registration of Identical Trade Name at Same Location), Article 31 (Registration of Exemption of Liabilities Upon Transfer of Enterprise or Business), Article 33 (Cancellation of Registration of Trade Name), Articles 44 through 46 (Registration of Company's Manager, General Provisions on Documents to be Attached), Article 47, paragraphs (1) and (3) (Registration of Incorporation), Articles 48 through 55 (Registration to be Made at Location of Branch Offices, Registration of Relocation of Head Office, Registration of Change of Directors and Other

Officers, Registration of Change of Person Who is to Temporarily Perform Duties of Accounting Auditors), and Articles 132 through 148 (Correction, Application for Cancellation, Ex Officio Cancellation, Exclusion from Application of the Administrative Procedure Act, Exclusion from Application of the Act on Access to Information Held by Administrative Organs, Exclusion from Application of the Act on Protection of Personal Information Held by Administrative Organs, Request for Review, Handling of Request for Review Case, Exclusion from Application of the Administrative Appeal Act, Delegation to Order of the Ministry) of the Commercial Registration Act apply mutatis mutandis to a registration regarding a mutual company. In this case, the terms "trade name", "business office (or, in a company, head office; hereinafter the same applies in this Article)" and "business office pertaining to" in Article 27 of the Commercial Registration Act are deemed to be replaced with "trade name or name", "principal office" and "principal office pertaining to", respectively; the term "shareholders' meeting or class shareholders' meeting" in Article 46, paragraph (2) of that Act is deemed to be replaced with "general meeting (or the member representatives meeting, if the company has such a meeting)"; the terms "Article 319, paragraph (1) (including the cases where it is applied mutatis mutandis pursuant to Article 325 of the Companies Act) or Article 370 (including as applied mutatis mutandis pursuant to Article 490, paragraph (5) of that Act) of the Companies Act" and "shareholders meeting or class shareholder meeting" in Article 46, paragraph (3) of that Act are deemed to be replaced with "Article 319, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) of the Insurance Business Act, or Article 370 of the Companies Act as applied mutatis mutandis pursuant to Article 53-16 or 180-15 of the Insurance Business Act" and "general meeting", respectively; the term "Article 416, paragraph (4) of the Companies Act" in Article 46, paragraph (4) is deemed to be replaced with "Article 53-30, paragraph (4) of the Insurance Business Act"; and the terms "head office" and "branch offices" in the provisions of Articles 48 through 53 of that Act are deemed to be replaced with "principal office" and "secondary offices", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

(Application, Mutatis Mutandis, of the Companies Act on Electronic Public Notice)

Article 67-2 The provisions of Article 940, paragraphs (1) and (3) (Public Notice Period of Electronic Public Notice), Article 941 (Electronic Public Notice Investigation), Article 946 (Obligation of Investigation), Article 947 (Cases If an Electronic Public Notice Investigation Is Unable to Be Carried Out), Article 951, paragraph (2) (Keeping and Inspection of Financial Statements), Article

953 (Order for Improvement), and Article 955 (Statements in an Investigation Record Book) of the Companies Act apply mutatis mutandis to the cases if a mutual company gives public notice under this Act or any other law in the form of an electronic public notice. In this case, the terms "Article 440, paragraph (1)" and "annual shareholders' meeting" in Article 940, paragraph (1), item (ii) of that Act are deemed to be replaced with "Article 54-7, paragraph (1) of the Insurance Business Act" and "annual general meeting (or the annual member representatives meeting, if the company has a member representatives meeting)", respectively; the term "the preceding two paragraphs" in Article 940, paragraph (3) of that Act is deemed to be replaced with "paragraph (1)"; and the term "public notice under this Act or any other law (excluding the public notice under Article 440, paragraph (1))" in Article 941 of that Act is deemed to be replaced with "public notice under the Insurance Business Act (excluding the public notice under Article 54-7, paragraph (1) of that Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

Section 3 Entity Conversion

Subsection 1 Entity Conversion from a Stock Company to a Mutual Company

(Entity Conversion)

Article 68 (1) A stock insurance company may convert to a mutual insurance company.

(2) A stock company that is a small amount and short term insurer may convert to a mutual company that is a small amount and short term insurer.

(3) Any entity conversion under the preceding two paragraphs (hereinafter referred to as "entity conversion" in this Subsection) must solicit funds in order to raise the total amount of the funds of the mutual company after the entity conversion to the amount exceeding the amount specified in the following items in accordance with the category of the cases set forth in the items:

(i) entity conversion under paragraph (1): the amount specified by Cabinet Order set forth in Article 6, paragraph (1); or

(ii) entity conversion under the preceding paragraph: the amount specified by Cabinet Order set forth in Article 272-4, paragraph (1), item (ii).

(4) The total amount of the funds set forth in the preceding paragraph may be comprised in whole or in part of the reserves set aside at the time of entity conversion. In this case, the converting company is not to be required to solicit funds under that paragraph to the extent covered by the reserve.

(5) The reserves set forth in the preceding paragraph are deemed to be the reserves for redemption of funds, to which the provisions of this Act (excluding

Article 56) apply.

- (6) In the case of an entity conversion, the converting company may set aside loss reserves in addition to the reserves set forth in paragraph (4).

(Authorization of Entity Conversion Plan)

Article 69 (1) If a stock company seeks to convert to a mutual company, it must prepare an entity conversion plan to be approved by a resolution at a shareholders meeting.

- (2) The resolution set forth in the preceding paragraph must be a resolution under Article 309, paragraph (2) (Resolution of Shareholders Meetings) of the Companies Act.

- (3) If a stock company seeks to adopt a resolution under paragraph (1), the stock company must provide an outline of the entity conversion plan in the notice to be given pursuant to Article 299, paragraph (1) (Notices of Convocation for Shareholders Meetings) of the Companies Act.

- (4) A stock company must state the following particulars in its entity conversion plan:

(i) the total amount of funds of the mutual company to be established by the entity conversion (hereinafter referred to as "converted mutual company" in this Subsection);

(ii) the amount of the reserves set forth in paragraph (4) of the preceding Article and of the loss reserves set forth in paragraph (6) of that Article;

(iii) the particulars of compensation to shareholders and holders of share options;

(iv) the particulars of the rights of policyholders after the entity conversion; and

(v) the day on which the entity conversion takes effect (hereinafter referred to as "effective date" in this Subsection) and other particulars specified by Cabinet Office Order.

- (5) A stock company which has adopted a resolution under paragraph (1), within two weeks from the date of the resolution, must notify each of the registered pledgees of shares and the registered pledgees of share options of the planned entity conversion that it will carry out an entity conversion.

- (6) A notice under the preceding paragraph may be replaced by a public notice.

- (7) The provisions of Article 219, paragraph (1) (limited to the part involving item (v)), paragraph (2) (limited to part involving item (iii)) and paragraph (3) (Public Notice in Relation to Submission of Share Certificate), Article 220 (Cases in which Share Certificates Cannot be Submitted), and Article 293, paragraph (1) (limited to the part involving item (ii)) (Public Notice in Relation to Submission of Share Option Certificate) of the Companies Act apply mutatis mutandis to a converting stock company. In this case, the term "membership

company after entity conversion prescribed in Article 744, paragraph (1), item (i)" in Article 219, paragraph (2), item (iii) of that Act is deemed to be replaced with "mutual company after entity conversion prescribed in Article 69, paragraph (4), item (i) of the Insurance Business Act", and any other necessary technical replacement of terms is specified by Cabinet Order.

(Keeping and Inspection of Documents Related to Entity Conversion Plans)

- Article 69-2 (1) A converting stock company, for the period from the day on which the entity conversion plan began to be kept to the effective date, must keep at each of its business offices the documents or electronic or magnetic records in which the details of the entity conversion plan and any other particulars specified by Cabinet Office Order are stated or recorded.
- (2) The phrase "the day on which the entity conversion plan began to be kept" in the preceding paragraph refers to the earliest of the date listed in the following items:
- (i) the day two weeks before the date of the shareholders meeting set forth in paragraph (1) of the preceding Article (or, in the case of Article 319, paragraph (1) (Omission of Resolution of Shareholders Meetings) of the Companies Act, the date of proposal under that paragraph);
 - (ii) if the converting stock company has issued share options, the date of notice under Article 777, paragraph (3) of the Companies Act as applied mutatis mutandis pursuant to Article 71 or the date of public notice set forth in Article 777, paragraph (4) of that Act as applied mutatis mutandis pursuant to Article 71, whichever is earlier; or
 - (iii) the date of public notice under paragraph (2) of the following Article.
- (3) The creditors of a converting stock company, such as shareholders and policyholders, may make the following requests to the stock company at any time during its operating hours; provided, however, that they must pay the fees determined by the stock company in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in paragraph (1);
 - (ii) a request to be issued a certified copy or extract of the documents set forth in paragraph (1);
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in paragraph (1) in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in paragraph (1) by the electronic or magnetic means specified by the converting stock company, or to be issued a document stating the particulars.
- (4) The converted mutual company, for six months from the effective date, must

keep at each of its offices the documents or electronic or magnetic records in which the details of the entity conversion plan and any other particulars specified by Cabinet Office Order are stated or recorded.

- (5) Policyholders or other creditors of a converted mutual company may make the following requests to the company at any time during its business hours; provided, however, that they must pay the fees determined by the converted mutual company in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by the converted mutual company, or to be issued a document stating the particulars.

(Objections of Creditors)

Article 70 (1) Policyholders or other creditors of a converting stock company may state to the company their objections to the entity conversion.

- (2) A converting stock company must publish the following particulars in the Official Gazette and by the means of public notice prescribed by its articles of incorporation; provided, however, that the period referred to in item (iv) may not be shorter than one month:
- (i) the fact that an entity conversion will be carried out;
 - (ii) the name and address of the converted mutual company;
 - (iii) particulars specified by Cabinet Office Order as pertaining to the financial statements of the converting stock company;
 - (iv) the fact that policyholders or other creditors of the converting stock company may raise their objections within a certain period of time; and
 - (v) beyond what is set forth in the preceding items, particulars specified by Cabinet Office Order.
- (3) If policyholders or other creditors have not raised their objections within the period set forth in item (iv) of the preceding paragraph, those policyholders or creditors are deemed to have approved the entity conversion.
- (4) If policyholders or other creditors have raised their objection under paragraph (2), item (iv), the converting stock company must make payments or provide equivalent security to the policyholders or other creditors, or entrust equivalent property to a trust company, etc. for the purpose of ensuring that the policyholders or other creditors receive the payment; provided, however,

that this does not apply to the cases where the entity conversion poses no risk of harming the interest of the policyholders or other creditors:

- (5) The provisions of the preceding paragraph do not apply to the policyholders or any rights held by other persons pertaining to insurance contracts (other than the right to insurance claims, etc.).
- (6) A resolution of authorization under Article 69, paragraph (1) is null and void if the number of the policyholders who have stated their objections within the period set forth in paragraph (2), item (iv) (excluding the holders of policies under which right to insurance claims, etc. had already accrued at the time of public notice under the paragraph (2) (but limited to those policies that are to be terminated with the payment of the insurance claims, etc.); hereinafter the same applies in this paragraph and the following paragraph) exceeds one fifth of the total number of policyholders, and the amount specified by Cabinet Office Order as the credits (other than the right to insurance claims, etc.) belonging to the insurance contracts of the policyholders who have raised such objections exceeds one fifth of the total amount of credits belonging to the policyholders.
- (7) An entity conversion carried out pursuant to the provisions of the preceding paragraphs is also to be effective against the policyholders who have raised their objections under the preceding paragraph and other persons who hold any right (other than the right to insurance claims, etc.) pertaining to the insurance contracts involving the policyholders.
- (8) Beyond what is provided for in the preceding paragraphs, necessary particulars for the application of those provisions are specified by Cabinet Order.

(Demand for Purchase of Share Options)

Article 71 The provisions of Article 777 (Demand for Purchase of Share Options), Article 778 (Determination on Value of Share Options), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (2) (limited to the part involving item (ii)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and other procedures), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and Other Procedures), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Mandatory Consolidation of Hearings, etc.) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the cases where the converting stock company has issued share options. In this case, the term "converted membership company" in Article 778, paragraph (1), Article 778, paragraph (2), and Article 778, paragraph (4) of that Act is deemed to be

replaced with "converted mutual company (meaning a converted mutual company prescribed in Article 69, paragraph (4), item (i) of the Insurance Business Act)"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Contract during a Procedure of Entity Conversion)

Article 72 (1) A converting stock company, if it seeks to conclude an insurance contract on or after the day following the date of public notice under Article 70, paragraph (2), must notify the prospective policyholder the fact that the company is going through the procedure of entity conversion and obtain their consent.

(2) A policyholder who has given their consent referred to in the preceding paragraph is deemed not to be a policyholder for the purpose of applying the provisions of the following Article through Article 77.

(Policyholders Meeting)

Article 73 If the number of the policyholders who have stated their objections within the period set forth in Article 70, paragraph (2), item (iv) or the amount of their credits as specified by Cabinet Office Order set forth in paragraph (6) of the same Article has not exceeded the proportion specified in that paragraph, the directors of the converting stock company must convene a policyholders meeting without delay following the completion of the procedures prescribed in the same Article.

(Method of Adopting Resolution)

Article 74 (1) Each policyholder is entitled to one vote at the policyholders meeting.

(2) A resolution of the policyholders meeting is adopted by a three-quarter majority vote of the policyholders attending a session if at least half of the policyholders are present.

(3) The provisions of Article 67, paragraph (1) (Determination to Call Organizational Meetings), Article 68 (excluding the items in paragraph (2) and paragraphs (5) to (7)) (Notices of Calling of Organizational Meetings), Articles 70 and 71 (Giving of Organizational Meeting Reference Documents and Voting Forms), Articles 74 to 76 (Proxy Voting, Voting in Writing, Voting by Electronic or Magnetic Method), Articles 78 through 80 (Accountability of Incorporators, Authority of Chairperson, Resolution for Postponement or Adjournment), Article 81, paragraphs (1) through (3) (Minutes), and Article 316, paragraph (1) (Investigation of Materials Submitted to the Shareholders Meeting) of the Companies Act apply mutatis mutandis to the policyholders meeting; and the provisions of Article 830 (Action for a Declaratory Judgment as to the Absence

or Invalidity of a Resolution of a Shareholders Meeting, etc.), Article 831 (Action to Revoke a Resolution of a Shareholders Meeting, etc.), Article 834 (limited to the parts pertaining to items (xvi) and (xvii)) (Defendant), Article 835, paragraph (1) (Jurisdiction over Actions), Article 836, paragraphs (1) and (3) (Order to Provide Security), Article 837 (Mandatory Consolidation of Oral Arguments, etc.), Article 838 (Persons Affected by a Judgment Being Upheld), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (1) (limited to the part involving item (i), (g)) (Commissioning of Registration by a Judicial Decision) of that Act apply mutatis mutandis to an action for a declaratory judgment as to the absence or invalidity of a resolution of the policyholders meeting and to an action to rescind a resolution of the policyholders meeting. In this case, the terms "incorporators", "shareholders at incorporation" and "stock company" in those provisions are deemed to be replaced with "converting stock company", "policyholders" and "mutual company", respectively; the term "in the following cases" in Article 68, paragraph (2) of that Act is deemed to be deleted; the term "head office" in Article 74, paragraph (6) of that Act is deemed to be replaced with "principal office"; the term "shareholders" in Article 74, paragraph (7) of that Act is deemed to be replaced with "members"; and the terms "a shareholder, etc. (or, if the shareholders' meeting, etc. set forth respectively in each such item is an organizational meeting or a class organizational meetings, a shareholder, etc., a shareholder at incorporation, a director at incorporation or a company auditor at incorporation)" and "a shareholder (or, if the relevant resolution is the resolution of an organizational meeting, shareholders at incorporation) or director (or, in cases of a company with an audit and supervisory committee, directors who are audit and supervisory committee members or other directors; hereinafter the same applies in this paragraph), company auditor or liquidator pursuant to the provisions of Article 346 (1) (including as applied mutatis mutandis pursuant to Article 479, paragraph (4)), and if such resolution is a resolution of an organizational meeting or class organizational meeting, a director at incorporation (if a stock company to be incorporated is a company with an audit and supervisory committee, directors at incorporation who are audit and supervisory committee members at incorporation or other directors at incorporation))" in Article 831, paragraph (1) of that Act are deemed to be replaced with "policyholders, directors, company auditors or liquidators (in the case of a company with an audit and supervisory committee, policyholders, directors or liquidators, or in the case of a company with a nominating committee, etc., policyholders, directors, executive officers or liquidators" and "directors (in the case of a company with an audit and supervisory committee, directors who are audit and supervisory committee members or other directors), company auditors or liquidators",

respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

- (4) It is sufficient for a notice or demand to a policyholder to be sent by the converting stock company to the place or address which the policyholder has notified to the stock company for the receipt of notices or demands.
- (5) The notice or demand set forth in the preceding paragraph is deemed to have arrived at the time when the notice or demand would normally have arrived.
- (6) The provisions of the preceding two paragraphs apply mutatis mutandis to the delivery of documents to policyholders in giving a notice under Article 68, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to paragraph (3) and provision by electronic or magnetic means of the particulars that are required to be stated in the documents. In this case, the term "to have arrived" in the preceding paragraph is deemed to be replaced with "to have been effected by delivery of the document or provision of the particulars by electronic or magnetic means"; and any other necessary technical replacement of terms is specified by Cabinet Order.

(Report of Directors)

Article 75 The directors must report to the policyholders meeting the particulars related to an entity conversion.

(Resolution of Policyholders Meeting)

- Article 76 (1) The policyholders meeting, in its resolutions, must adopt the articles of incorporation of the converted mutual company and other particulars required for the organization of the converted mutual company, and elect the persons to become directors of the converted mutual company.
- (2) If the converted mutual company is a company with an audit and supervisory committee, the persons to become directors of the converted mutual company under the preceding paragraph must be separately elected for persons to become directors of the converted mutual company who will become audit and supervisory committee members after the entity conversion and the persons to become other directors of the converted mutual company.
 - (3) In the following cases, the policyholders meeting must elect the persons set forth in the relevant items:
 - (i) if the converted mutual company is a company with accounting advisors, the persons to serve as accounting advisors of the converted mutual company;
 - (ii) if the converted mutual company is a company with auditors, the persons to become company auditors of the converted mutual company; and
 - (iii) if the converted mutual company is a company with accounting auditors, the persons to become accounting auditors of the converted mutual company.
 - (4) The resolution set forth in Article 69, paragraph (1) may be changed by a

resolution under paragraph (1); provided, however, that the change may not harm the interest of the creditors of the converting stock company.

- (5) A change referred to in the preceding paragraph that has the risk of causing any damage to the interest of shareholders is subject to the authorization of the shareholders meeting. In this case, the provisions of Article 69, paragraph (2) apply *mutatis mutandis*.
- (6) The resolution of authorization set forth in Article 69, paragraph (1) loses its effect without the authorization of the shareholders meeting set forth in the preceding paragraph.
- (7) The policyholders meeting may not adopt a resolution on any other particular than that listed in Article 67, paragraph (1), item (ii) of the Companies Act as applied *mutatis mutandis* pursuant to Article 74, paragraph (3); provided, however, that this does not apply to a decision on the articles of incorporation of the converted mutual company or on any other particular that is necessary for the organization of the converted mutual company, and the election of the persons specified in paragraphs (1) and (3).

(Policyholder Representatives Meeting)

Article 77 (1) The converting stock company may, by a resolution under Article 69, paragraph (1), establish an administrative organ composed of representative members elected from among the policyholders (hereinafter referred to as "policyholder representatives meeting") in lieu of the policyholders meeting.

- (2) The resolution set forth in the preceding paragraph must specify the particulars specified by Cabinet Office Order, such as the number and election method of representative members.
- (3) Policyholders of a converting stock company (excluding the holders of the policies for which the right to insurance claims, etc. had already accrued at the time of public notice under the following paragraph (but limited to those policies that would be terminated with the payment of the insurance claims, etc.); the same applies in that paragraph and paragraph (5)) may state to the converting stock company their objections to the resolution set forth in paragraph (1).
- (4) A converting stock company must give public notice of the following particulars within two weeks from the date of the resolution set forth in paragraph (1); provided, however, that the period referred to in item (ii) may not be shorter than one month:
 - (i) content of the resolution set forth in paragraph (1);
 - (ii) the fact that policyholders of the converting stock company may raise their objections within a certain period of time; and
 - (iii) beyond what is set forth in the preceding two items, particulars specified

by Cabinet Office Order.

- (5) A resolution under paragraph (1) is to be null and void if the number of policyholders who have raised their objections within the period set forth in item (ii) of the preceding paragraph exceeds one fifth of the total number of policyholders, and the amount specified by Cabinet Office Order as the credits (other than the right to insurance claims, etc.) belonging to the insurance contracts of the policyholders who have stated such objections exceeds one fifth of the total amount of credits belonging to the policyholders.
- (6) The provisions of Article 44-2 (excluding the second sentence of paragraph (3)) and Article 73 through the preceding Article apply mutatis mutandis to the policyholder representatives meeting. In this case, the term "the preceding paragraph" in Article 310, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to the first sentence of Article 44-2, paragraph (3) and the term "paragraph (1)" in Article 310, paragraph (3) is deemed to be replaced with "Article 44-2, paragraph (1) of the Insurance Business Act"; the term "Article 299, paragraph (3)" in Article 310, paragraph (4) is deemed to be replaced with "Article 68, paragraph (3) as applied mutatis mutandis pursuant to Article 74, paragraph (3) of the Insurance Business Act"; the term "shareholders (excluding the shareholders who may not exercise their voting rights on all matters which may be resolved at the shareholders' meeting under the preceding paragraph; hereinafter the same applies in paragraph (4) of the following Article and Article 312, paragraph (5))" in Article 310, paragraph (7) is deemed to be replaced with "policyholders or members"; the term "Articles 74 through 76" in Article 74, paragraph (3) is deemed to be replaced with "Articles 75 and 76"; and the term "policyholder" in Article 74, paragraph (4) is deemed to be replaced with "representative member"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Solicitation of Funds in Entity Conversion)

- Article 78 (1) If a converting stock company, seeks to solicit funds for the converted mutual company, it must solicit the required amount of such funds without delay following the conclusion of the policyholders meeting or policyholder representatives meeting (or, in the case of Article 76, paragraph (5), following the authorization of the shareholders' meeting set forth in that paragraph).
- (2) A converting stock company must notify the persons who seek to offer contributions to its funds in response to a solicitation under the preceding paragraph of the following particulars:
- (i) particulars listed in Article 23, paragraph (1), item (ii) and items (iv) through (vi);
 - (ii) amount of the additional funds to be solicited, the rights held by the

- contributors to the funds and the method of redemption of the funds;
- (iii) payment date; and
- (iv) place where the payment of contribution of funds is handled at the banks, etc.
- (3) The provisions of Article 28, paragraphs (2) through (6), Articles 29 through 30-2, Article 30-3 (excluding paragraphs (2) and (3)), and Article 30-5, paragraphs (2) and (3) apply mutatis mutandis to a solicitation under paragraph (1). In this case, the term "incorporators" in those provisions is deemed to be replaced with "converting stock company"; the terms "funds solicited at incorporation" and "funds of a mutual company at incorporation" in those provisions are deemed to be replaced with "funds solicited under Article 78, paragraph (1)"; the term "the items in paragraph (1)" in Article 28, paragraph (4) is deemed to be replaced with "the items of Article 78, paragraph (2)"; the term "the preceding two Articles" in Article 30 is deemed to be replaced with "Article 78, paragraph (2) (excluding item (iii)) and Article 28, paragraphs (2) through (6) as applied mutatis mutandis pursuant to Article 30, paragraph (3)"; the term "mutual company thus established" in Article 30-4, paragraph (4) is deemed to be replaced with "converted mutual company"; and the term "After the establishment of the mutual company" in Article 30-5, paragraph (3) is deemed to be replaced with "After the entity conversion"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Policyholders Meeting after Solicitation of Funds)

- Article 79 (1) In the case of paragraph (1) of the preceding Article, the directors of the converting stock company, without delay after the total amount of the funds solicited under that paragraph has been paid, must convene a second policyholders meeting or policyholder representatives meeting.
- (2) The persons to become directors (or directors and company auditors, if the converted mutual company is a company with auditors) of the converted mutual company must investigate whether the total amount of the funds solicited under paragraph (1) of the preceding Article has been subscribed for and paid, and report the result to the policyholders meeting or policyholder representatives meeting set forth in the preceding paragraph.
- (3) The provisions of Article 94 (Special Provisions in case Directors at Incorporation are Incorporators) of the Companies Act apply mutatis mutandis to the policyholders meeting or policyholder representatives meeting set forth in paragraph (1), if all or some of the persons to serve as directors of the converted mutual company are directors or executive officers of the converting stock company. In this case, the phrase "the particulars listed in the items of paragraph (1) of the preceding Article" in paragraph (1) of the same Article is deemed to be replaced with "whether the total amount of the funds solicited

under Article 78, paragraph (1) of the Insurance Business Act has been subscribed for and paid"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Authorization of Entity Conversion)

Article 80 (1) An entity conversion is not to take effect without the authorization of the Prime Minister.

(2) When an application has been filed for the authorization referred to in the preceding paragraph, the Prime Minister must examine whether it conforms to the following standards:

(i) the converted mutual company has a sufficient financial basis to execute the business of an insurance company, etc. in a sound and efficient manner;

(ii) the entity conversion poses no risk of harming the rights of policyholders;
and

(iii) beyond what is set forth in the preceding two items, the entity conversion poses no risk of precluding the sound business operation of an insurance company, etc.

(Effectuation of Entity Conversion)

Article 81 (1) A converting stock company becomes a mutual company on the effective date.

(2) The shares and share options of a converting stock company becomes null and void on the effective date.

(3) The policyholders of a converting stock company becomes a member of the converted mutual company on the effective date.

(4) The provisions of the preceding three paragraphs do not apply to the cases if a procedure under Article 70 has not been completed or if the entity conversion has been abandoned.

(Public Notice of Entity Conversion)

Article 82 (1) A converted mutual company, without delay following the entity conversion, must give public notice of the fact that an entity conversion has been carried out and the particulars specified by Cabinet Office Order. The same applies to the cases if a converting stock company has abandoned the planned entity conversion after giving public notice pursuant to the provisions of Article 70, paragraph (2).

(2) A converted mutual company, for six months following the effective date, must keep at each of its offices the documents or electronic or magnetic records in which the progress of the procedure under Article 70 and any other particulars specified by Cabinet Office Order as being involved in an entity conversion are stated or recorded.

- (3) Policyholders or other creditors of a converted mutual company may make the following requests to the mutual company at any time during its business hours; provided, however, that they must pay the fees determined by the mutual company in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means specified by the converted mutual company, or to be issued a document stating the particulars.

(Pledge on Former Shares)

Article 83 The provisions of Article 151, paragraph (1) (excluding the items) and Article 154, paragraphs (1) and (2) (limited to the part pertaining to item (ii)) (Effect of Pledge of Shares) of the Companies Act apply mutatis mutandis to the monies which the shareholders are entitled to receive as a result of an entity conversion of a stock company. In this case, the term "monies, etc. (limited to monies), or monies under paragraph (2) of that Article" in paragraph (1) of that Article is deemed to be replaced with "money", and the term "membership company after entity conversion as prescribed in Article 744, paragraph (1), item (i)" in paragraph (2), item (ii) of that Article is deemed to be replaced with "converted mutual company prescribed in Article 69, paragraph (4), item (i) of the Insurance Business Act", and any other necessary technical replacement of terms is specified by Cabinet Order.

(Registration)

Article 84 (1) If a stock company has carried out an entity conversion, the converting stock company must make a registration of dissolution within two weeks from the date of entity conversion at the locality of its head office and within three weeks from the relevant date at the locality of its branch offices; and the converted mutual company must complete registration of incorporation within two weeks from the date of entity conversion at the locality of its principal office and within three weeks from the relevant date at the locality of its secondary offices.

- (2) The following documents must be attached to a written application for the registration of incorporation of a mutual company under the preceding paragraph, in addition to those specified in Articles 18, 19 and 46 of the

Commercial Registration Act as applied mutatis mutandis pursuant to Article 67:

- (i) entity conversion plan;
- (ii) articles of incorporation;
- (iii) a document certifying that a public notice under Article 70, paragraph (2) has been given;
- (iv) the minutes of the shareholders' meeting and policyholders meeting (or those of the policyholder representatives meeting, if the company has such a meeting);
- (v) if any policyholder or other creditor has raised their objection under Article 70, paragraph (4), a document certifying that the company has made payment or provided equivalent security to the policyholder or other creditor, or entrusted equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receive the payment, or a document certifying that the entity conversion has no risk of harming the interest of the policyholder or other creditor;
- (vi) a document certifying that the number of policyholders who have raised their objections under Article 70, paragraph (6) has not exceeded one fifth of the total number of policyholders, or a document certifying that the amount specified by Cabinet Office Order set forth in that paragraph as the credits belonging to those policyholders has not exceeded one fifth of the total amount set forth in that paragraph;
- (vii) if the converting stock company is a company issuing share certificates, a document certifying that a public notice has been given under the main clause of Article 219, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 69, paragraph (7), or a document certifying that the company has not issued share certificates for all of the shares;
- (viii) if the converting stock company has issued share options, a document certifying that a public notice has been given under Article 293, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 69, paragraph (7), or a document certifying that the company has not issued any stock option certificate under that paragraph;
- (ix) a document certifying that the directors (directors and company auditors, if the converted mutual company is a company with auditors, or directors who are audit and supervisory committee members or other directors, if the converted mutual company is a company with an audit and supervisory committee) of the converted mutual company have accepted the assumption of office;
- (x) if accounting advisors or accounting auditors have been elected for the converted mutual company, the following documents:
 - (a) a document certifying that those persons have accepted the assumption of

- office;
- (b) if those persons are corporations, certificates of registered information for the corporations; provided, however, that this does not apply to the cases where the principal offices of the corporations are located within the district under the jurisdiction of the relevant registry office; and
 - (c) if those persons are not corporations, a document certifying that the accounting advisors meet the requirement of Article 333, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-4, or that the accounting auditors meet the requirement of Article 337, paragraph (1) of that Act as applied mutatis mutandis pursuant to Article 53-7;
 - (xi) if funds have been solicited, a document certifying the offer to contribute funds or the contract under Article 30 as applied mutatis mutandis pursuant to Article 78, paragraph (3); and
 - (xii) if funds have been solicited, a document certifying that payment has been made to the funds under Article 30-3, paragraph (1) as applied mutatis mutandis pursuant to Article 78, paragraph (3).
- (3) The provisions of Articles 76 and 78 (Registration of Entity Conversion) of the Commercial Registration Act apply mutatis mutandis to the case referred to in paragraph (1). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Action to Invalidate an Entity Conversion)

- Article 84-2 (1) The invalidation of an entity conversion may only be asserted in an action filed within six months from the effective date.
- (2) An action to invalidate an entity conversion may only be filed by a person who was a shareholder, etc. (meaning a person who was a shareholder, director, company auditor or liquidator (in the case of a company with an audit and supervisory committee, a shareholder, director or liquidator, or, in the case of a company with a nominating committee, etc., a shareholder, director, executive officer or liquidator); hereinafter the same applies in this Section) of the converting stock company on the effective date, or a member, etc. (meaning a member, director, company auditor or liquidator (in the case of a company with an audit and supervisory committee, a member, director or liquidator, or in the case of a company with a nominating committee, etc., a member, director, executive officer or liquidator); hereinafter the same applies in this Section) or bankruptcy trustee of the converted mutual company or a creditor of the converted mutual company who has not approved of the entity conversion.
 - (3) An action to nullify an entity conversion is to be filed against the converted mutual company.
 - (4) The provisions of Article 835, paragraph (1) (Jurisdiction over Actions),

Articles 836 through 839 (Order to Provide Security, Mandatory Consolidation of Oral Arguments, etc., Persons Affected by a Judgment Being Upheld), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff) and Article 937, paragraph (3) (limited to the part involving item (i)) (Commissioning of Registration by a Judicial Decision) of the Companies Act apply mutatis mutandis to an action to invalidate an entity conversion; the provisions of Article 840 (Effects of a Judgment of Invalidity of New Share Issue) of that Act apply mutatis mutandis to a judgment of invalidity of an entity conversion accompanied by the solicitation of funds set forth in Article 78, paragraph (1); and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (ii)) (Immediate Appeal), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Articles 875 through 877 (Mandatory Consolidation of Hearings, Supreme Court Rules, Mandatory Consolidation of Hearings) and Article 878, paragraph (1) (Effects of a Judicial Decision) of that Act apply mutatis mutandis to an application under Article 840, paragraph (2) of that Act as applied mutatis mutandis pursuant to this paragraph. In this case, the term "shareholder" in Article 878, paragraph (1) is deemed to be replaced with "shareholder or member"; any other necessary technical replacement of terms is specified by Cabinet Order.

Subsection 2 Entity Conversion from a Mutual Company to a Stock Company

(Entity Conversion)

- Article 85 (1) A mutual insurance company may convert to a stock company that is an insurance company.
- (2) A mutual company that is a small amount and short term insurance company may convert to a stock company that is a small amount and short term insurance company.

(Authorization of Entity Conversion Plan)

- Article 86 (1) A mutual company, if it seeks to carry out an entity conversion under the preceding Article (hereinafter referred to as "entity conversion" in this Subsection), must prepare an entity conversion plan to be approved by a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting; hereinafter the same applies in this Subsection).
- (2) The resolution set forth in the preceding paragraph must be a resolution prescribed in Article 62, paragraph (2).

- (3) A mutual company, if it seeks to adopt a resolution under paragraph (1), must provide an outline of the entity conversion plan in the notice to be given pursuant to Article 299, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) or Article 49, paragraph (1).
- (4) A mutual company must prescribe the following particulars in its entity conversion plan:
- (i) the purpose, trade name, location of the head office, and total number of authorized shares of the stock company to be established by the entity conversion (hereinafter referred to as "converted stock company" in this Subsection);
 - (ii) beyond what is set forth in the preceding item, particulars specified by the articles of incorporation of the converted stock company;
 - (iii) names of the directors of the converted stock company;
 - (iv) the particulars specified in the following sub-items in accordance with the categories set forth in the respective items:
 - (a) if the converted stock company is a company with accounting advisors, the names of the accounting advisors of the converted stock company;
 - (b) if the converted stock company is a company with auditors, the names of the company auditors of the converted stock company; or
 - (c) if the converted stock company is a company with accounting auditors, the names of the accounting auditors of the converted stock company;
 - (v) the number of shares (or the classes of share and the number of shares by class, if the converted stock company is a company with class shares) to be acquired by the members of the converting mutual company or the method of calculating the number, and the particulars of the stated capital and reserves of the converted stock company;
 - (vi) particulars related to the allocation of the shares set forth in the preceding item to the members of the converting mutual company;
 - (vii) the amount of, and calculation method for, any money granted to the members of the converting mutual company;
 - (viii) particulars related to the allocation of the money set forth in the preceding item to the members of the converting mutual company;
 - (ix) the method of selling any additional fraction of shares to be issued as a result of the allocation of shares to the members of the converting mutual company and any other particular specified by Cabinet Office Order regarding the sale;
 - (x) the method of purchasing any fraction of shares arising under the preceding item and any other particular specified by Cabinet Office Order regarding the purchase;
 - (xi) particulars related to the rights of policyholders after the entity conversion; and

(xii) the day on which the entity conversion takes effect (hereinafter referred to as "effective date" in this Subsection) and any other particular specified by Cabinet Office Order.

- (5) A mutual company, as a particular to be prescribed by the articles of incorporation pursuant to the provisions of item (ii) of the preceding paragraph, must include in the converted stock company's articles of incorporation the principles pertaining to the policy dividends set forth in Article 114, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-18).
- (6) If a converted stock company is a company with an audit and supervisory committee, the matters listed in paragraph (4), item (iii) must be specified separately for directors who are advisory committee members and other directors.

(Keeping and Inspection of Documents Related to Entity Conversion Plans)

Article 87 (1) A converting mutual company, for the period from the date on which the entity conversion plan began to be kept to the effective date, must keep at each of its offices, documents or electronic or magnetic records in which the entity conversion plan and any other particulars specified by Cabinet Office Order are stated or recorded.

- (2) The term "the date on which the entity conversion plan began to be kept" in the preceding paragraph refers to the date listed in any of the following items, whichever is earlier:
- (i) the day that is two weeks before the date of the general meeting set forth in paragraph (1) of the preceding Article (or, in the case of Article 319, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1), the date of proposal under that paragraph); or
 - (ii) the date of public notice under paragraph (2) of the following Article.
- (3) Policyholders or other creditors of a converting mutual company may make the following requests to the company at any time during its business hours; provided, however, that they must pay the fees determined by the mutual company in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in paragraph (1);
 - (ii) a request to be issued a certified copy or extract of the documents set forth in paragraph (1);
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in paragraph (1) in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in paragraph (1) by the electronic or magnetic means determined by the converting mutual company, or to be issued a document stating the particulars.

- (4) The converted stock company, for six months from the effective date, must keep at each of its business offices the documents or electronic or magnetic records in which the content of the entity conversion plan and any other particulars specified by Cabinet Office Order are stated or recorded.
- (5) The creditors of a converted stock company, such as shareholders and policyholders, may make the following requests to the company at any time during its operating hours; provided, however, that they must pay the fees determined by the converted stock company in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by the converted stock company, or to be issued a document stating the particulars.

(Objections of Creditors)

- Article 88 (1) Policyholders or other creditors of a converting mutual company may raise their objections on the entity conversion to the company.
- (2) A converting mutual company must give public notice of the following particulars in the Official Gazette and by the means of public notice prescribed in its articles of incorporation; provided, however, that the period referred to in item (iii) may not be shorter than one month:
- (i) the fact that an entity conversion will be carried out;
 - (ii) the trade name and address of the converted stock company;
 - (iii) the fact that policyholders or other creditors of the converting mutual company may raise their objections within a certain period of time; and
 - (iv) beyond what is set forth in the preceding three items, particulars specified by Cabinet Office Order.
- (3) If no policyholders or other creditors have raised their objections within the period set forth in item (iii) of the preceding paragraph, the policyholders or creditors are deemed to have approved the entity conversion.
- (4) If any policyholder or other creditor has raised their objection within the period set forth in paragraph (2), item (iii), the converting mutual company must make payment or provide equivalent security to the policyholder or other creditor, or entrust equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receives the payment;

provided, however, that this does not apply to the cases in which the entity conversion has no risk of harming the interest of the policyholder or other creditor;

- (5) The provisions of the preceding paragraph do not apply to the policyholders or any rights held by other persons pertaining to insurance contracts (other than the right to insurance claims, etc.).
- (6) A resolution of authorization under Article 86, paragraph (1) is to be null and void if the number of the policyholders who have raised their objections within the period set forth in paragraph (2), item (iii) (excluding the holders of policies under which the right to insurance claims, etc. had already accrued at the time of public notice under paragraph (2) (but limited to those policies that would be terminated with the payment of the insurance claims, etc.); hereinafter the same applies in this paragraph and in the following paragraph) exceeds one fifth of the total number of policyholders, and the amount specified by Cabinet Office Order as the credits (other than the right to insurance claims, etc.) belonging to the insurance contracts of the policyholders who have raised the objections exceeds one fifth of the total amount of credits belonging to the policyholders.
- (7) An entity conversion carried out pursuant to the provisions of the preceding paragraphs is also to be effective against the policyholders who have raised their objections under the preceding paragraph and other persons who hold any right (other than the right to insurance claims, etc.) pertaining to the insurance contracts involving the policyholders.
- (8) If a converting mutual company seeks to conclude an insurance contract on or after the day following the date of public notice under paragraph (2), the company must notify the prospective policyholder of the fact that it is going through an entity conversion procedure.
- (9) Beyond what is provided for in the preceding paragraphs, necessary particulars for the application of those provisions are specified by Cabinet Order.

(Redemption of Funds)

Article 89 (1) A converting mutual company, if it has any amount of unredeemed funds, must redeem the full amount of its funds as specified by the entity conversion plan; provided, however, that this does not apply to the amount of credits pertaining to the funds delivered for the purpose of contribution in kind in issuing shares under Article 92.

- (2) The provisions of Article 55, paragraph (2) and Article 56 do not apply to an entity conversion from a mutual company to a stock company.

(Allocation of Shares or Monies to Members)

Article 90 (1) The members of a converting mutual company is to receive allocation of the converted stock company's shares or monies as specified by the entity conversion plan.

(2) The allocation of shares or monies set forth in the preceding paragraph must be made in accordance with the amount of contribution of each member (meaning the amount calculated pursuant to the provisions of Cabinet Office Order as equivalent to the balance of the amount paid by a member as the insurance premiums and the profits obtained by investing the money received as the insurance premiums which have not been allocated to the payment of benefits such as insurance proceeds or refunds, or to business or other expenditures, after deducting the amount of assets to be retained for the performance of obligations under the insurance contract with the member).

(3) The provisions of Article 234, paragraph (1) (excluding all items), and paragraphs (2) through (5) (Treatment of Fractions), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 871 (Appending of the Reason), Article 874 (limited to the part involving item (iv)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the allocation of shares to the members of a converting mutual company pursuant to the provisions of the preceding two paragraphs. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(4) Beyond what is provided for in the preceding three paragraphs, particulars required for the allocation of shares or monies in the case of an entity conversion are specified by Cabinet Order.

(Amount of Surplus in Entity Conversion)

Article 91 (1) A converting mutual company must determine the amount of surplus in entity conversion as a particular to be prescribed by the articles of incorporation pursuant to the provisions of Article 86, paragraph (4), item (ii).

(2) A converted stock company may not distribute the surplus in excess of the amount of the net assets on the balance sheet after deduction of the amount of surplus in entity conversion.

(3) The amount of surplus in entity conversion is the total amount calculated for all the withdrawn members as specified by Cabinet Office Order in accordance with Cabinet Office Order set forth in paragraph (2) of the preceding Article.

(4) Beyond what is provided for in paragraph (1) and the preceding paragraph, the amount to be set aside as capital reserves on entity conversion, the reduction of surplus in entity conversion, and other particulars required for calculations of the entity conversion is specified by Cabinet Office Order.

(Issuance of Shares on Entity Conversion)

Article 92 A converting mutual company may, in carrying out the entity conversion, issue shares of the converted stock company, in addition to the allocation of shares under Article 90, paragraph (1). In this case, the entity conversion plan must specify the following particulars:

- (i) the number of the shares to be issued pursuant to the provisions of this Article (hereinafter referred to as "shares issued on entity conversion" in this Subsection) (or, in a company with class shares, the classes and number of the shares issued on entity conversion; hereinafter the same applies in this Subsection);
- (ii) the amount to be paid for the shares issued on entity conversion (meaning the amount of money to be paid, or of non-monetary properties to be delivered, in exchange for a share issued on entity conversion; hereinafter the same applies in this Subsection);
- (iii) if contribution is to be made in the form of non-monetary property, that fact and the content and value of the property;
- (iv) the date of the payment of money in exchange for the shares issued on entity conversion or the delivery of the property set forth in the preceding item;
- (v) particulars of the stated capital and capital reserves to be increased.

(Offer to Subscribe for Shares Issued on Entity Conversion)

Article 93 (1) A converting mutual company must notify the persons who seek to make an offer to subscribe for shares issued on entity conversion of the following particulars:

- (i) the trade name of the converted stock company;
 - (ii) particulars listed in the items of the preceding Article;
 - (iii) places payment of money is handled, if payment of money is to be made; and
 - (iv) beyond what is set forth in the preceding three items, particulars specified by Cabinet Office Order.
- (2) A person who offers to subscribe for shares issued on entity conversion must submit a document stating the following particulars to the converting mutual company:
- (i) the name and address of the person who makes the offer; and
 - (ii) the number of shares issued on entity conversion for which the person seeks to subscribe.
- (3) A person who makes an offer under the preceding paragraph may, in lieu of submitting the document prescribed in that paragraph, and pursuant to the provisions of Cabinet Order, provide the particulars that are required to be

stated in the document by electronic or magnetic means, with the consent of the converting mutual company. In this case, the person who has made the offer is deemed to have submitted the document prescribed in that paragraph.

- (4) If there are changes to the the particulars listed in the items of paragraph (1), the converting mutual company must immediately notify a person who has made an offer under paragraph (2) (hereinafter referred to as "offeror" in this Subsection) to that effect and the particulars that have been changed.
- (5) It is sufficient for a notice or demand to an offeror to be sent by the converting mutual company to the address referred to in paragraph (2), item (i) (or to any other place or contact address of which the offeror has notified the mutual company for the receipt of notices or demands).
- (6) The notice or demand set forth in the preceding paragraph is deemed to have arrived at the time when the notice or demand would normally have arrived.
- (7) The provisions of Article 10 apply mutatis mutandis to a notice to be given by the converting mutual company pursuant to the provisions of paragraph (1). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Allocation of Shares Issued on Entity Conversion)

- Article 94 (1) The converting mutual company must select from among the offerors the persons to receive allocation of the shares issued on entity conversion, and determine the number of the shares issued on entity conversion to be allocated to those persons. In this case, the mutual company may reduce the number of the shares issued on entity conversion to be allocated to each offeror from the number prescribed in paragraph (2), item (ii) of the preceding Article.
- (2) The converting mutual company must notify the offerors, no later than the day prior to the date referred to in Article 92, item (iv) of the number of the shares issued on entity conversion that will be allocated to each offeror.

(Subscription for Shares Issued on Entity Conversion)

Article 95 An offeror is to be the subscriber for shares issued on entity conversion for the number of the shares allocated by the converting mutual company.

(Performance of Contribution)

Article 96 (1) Subscribers for shares issued on entity conversion (other than those who deliver properties under Article 92, item (iii) (hereinafter referred to as "properties contributed in kind" in this Subsection)), by the date set forth in item (iv) of the same Article, must pay the full amount to be paid for the shares issued on entity conversion allocated to them at the place where the payment

under Article 93, paragraph (1), item (iii) is handled.

- (2) Subscribers for shares issued on entity conversion (limited to those who deliver properties contributed in kind), by the date set forth in Article 92, item (iv), must deliver the properties contributed in kind equivalent to the full amount to be paid for the shares issued on entity conversion allocated to them.
- (3) Subscribers for shares issued on entity conversion may not offset their obligation of payment under paragraph (1) or delivery under the preceding paragraph (hereinafter referred to as "performance of contribution" in this Subsection) against any claim against the converting mutual company.
- (4) An assignment of the right to become a holder of shares issued on entity conversion by performance of contribution may not be duly asserted against the converted stock company.
- (5) Subscribers for shares issued on entity conversion who do not perform contribution is to lose their right to become a holder of shares issued on entity conversion by the performance of contribution.

(Timing of Obtaining Shareholder Status)

- Article 96-2 (1) A subscriber for shares issued on entity conversion, on the effective date, is to become the holder of the shares issued on entity conversion for which they have performed contribution.
- (2) In the cases listed in the items of Article 213-2, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4-2, a subscriber of shares issued on entity conversion may exercise the rights of shareholders with respect to the relevant shares issued on entity conversion for which the performance of contribution is disguised, only after the payment or contribution prescribed in those items or the payment pursuant to the provisions of Article 96-4-3, paragraph (1) is made.
 - (3) A person who accepts assignment of shares issued on entity conversion under the preceding paragraph or the right to become shareholder may exercise the right of shareholders with respect to the relevant shares issued on entity conversion; provided, however, that this does not apply when the person had acted in bad faith or with gross negligence.

(Restrictions on the Invalidation or Recession of Subscription)

- Article 96-3 (1) The proviso to Article 93, paragraph (1) (Concealment of True Intention) and the provisions of Article 94, paragraph (1) (Fictitious Manifestation of Intention) of the Civil Code do not apply to the manifestation of an intention to offer to subscribe for shares issued on entity conversion or to the manifestation of an intention to allocate them.
- (2) A subscriber for shares issued on entity conversion may not rescind their subscription for shares issued on entity conversion on the grounds of error,

fraud, or duress, after one year has elapsed since the effective date or after the subscriber has exercised any right regarding their shares.

(Contribution of Non-Monetary Property)

Article 96-4 The provisions of Article 207 (Contribution of Property Other than Monies), Article 212 (excluding paragraph (1), item (i)) (Liabilities of Persons Who Subscribed for Shares with Unfair Amount to Be Paid in), Article 213 (excluding paragraph (1), items (i) and (iii)) (Liabilities of Directors in Case of Shortfall in Value of Property contributed), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (1) (limited to the part involving items (i) and (iv)) (Hearing of Statements), Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the particulars listed in Article 92, item (iii); and the provisions of Part VII, Chapter II, Section 2 (excluding Article 847-2, paragraph (9), Article 847-3, Article 849, paragraph (2) item (ii), paragraph (7) and paragraph (10), item (ii), Article 850, paragraph (4) and Article 853, paragraph (1), item (iii)) (Liability Actions Against a Stock Company) of that Act apply mutatis mutandis to an action for payment under Article 212 (excluding paragraph (1), item (i)) of that Act as applied mutatis mutandis pursuant to this Article. In this case, the term "director" in Article 207, paragraph (10), item (i) of that Act is deemed to be replaced with "director of the converting mutual company set forth in Article 86, paragraph (1) of the Insurance Business Act"; the terms "Article 209, paragraph (1)" and "Article 199, paragraph (1), item (iii)" in Article 207, paragraph (2) are deemed to be replaced with "Article 96-2, paragraph (1) of the Insurance Business Act" and "Article 92, item (iii) of that Act", respectively; the terms "Article 199, paragraph (1), item (iii)" and "application for subscription for shares for subscription or their manifestation of intention related to the contract provided for in Article 205, paragraph (1)" in Article 212, paragraph (2) of that Act are deemed to be replaced with "Article 92, item (iii) of the Insurance Business Act" and "application", respectively; and the term "shareholders having the shares" in Article 847, paragraphs (1) and (2) (Action for Pursuing Liability, etc. by Shareholders) of that Act is deemed to be replaced with "shareholders having the shares (or, if six months (or any shorter period prescribed by the articles of incorporation; hereinafter the same applies in this paragraph) have not elapsed since the effective date of an entity conversion, persons who had been members from the period six months prior to the date of the entity conversion and have been holding the shares without

interruption since the effective date of the entity conversion)"; the phrase "A person who had been a shareholder of a stock company continuously for six months or more (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items occur until that day" in Article 847-2, paragraph (1) (Action for Pursuing Liability, etc. by Former Shareholders) of that Act is deemed to be replaced with "A person who had been a shareholder of a converted stock company continuously for six months or longer (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items occur until the relevant day (or, if such date is before the expiration of six months from the day when the entity conversion takes effect (or, within the shorter period, if such term is provided in the articles of incorporation; hereinafter the same applies in this paragraph; a person who had been a member continuously from the day six months prior to the relevant date to the date when the entity conversion takes effect, and who has continuously held the shares from the date when the entity conversion takes effect)"; the phrase "continuously from six months or more (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items until that day" in paragraph (2) of that Article is deemed to be replaced with "A person who had been a shareholder of a converted stock company continuously for six months or longer (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items occur until the relevant day (or, if such date is before the expiration of six months from the day when the entity conversion takes effect (or, within the shorter period, if such term is provided in the articles of incorporation; hereinafter the same applies in this paragraph, a person who had been a member continuously from the day six months prior to the relevant date to the date when the entity conversion takes effect, and who has continuously held the shares from the date when the entity conversion takes effect)"; the phrase "A person who had been a shareholder of a stock company continuously for six months or more (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items occur until that day" in that paragraph is deemed to be replaced with "A person who had been a shareholder of a converted stock company continuously for six months or more (or, if a shorter period is prescribed in the articles of incorporation, such period or longer) on the day when the acts listed in the following items occur until that day"; the phrase ", a qualified former shareholder or a shareholder of an ultimate, wholly owning parent company, etc." in Article 847-4, paragraph (2) (Court Costs for an Action Pursuing Liability) is deemed to be replaced with "or a qualified former shareholder (meaning a former shareholder prescribed in

Article 947-2 of the Companies Act as applied mutatis mutandis pursuant to Article 96-4 of the Insurance Business Act who becomes eligible to file a suit under paragraph (6) of that Article pursuant to the main clauses of paragraphs (1) and (3) of that Article; hereinafter the same applies in this Section); the term "a suit relating to an action for pursuing liability, etc. (in cases of a qualified former shareholder, limited to one related to the liabilities or obligations for which the fact causing them occurs by the time when the act listed in the items of Article 847-2, paragraph (1) becomes effective; in cases of a shareholder of an ultimate, wholly owning parent company, etc., limited to the action pursuing specific liability)" in Article 849, paragraph (1) (Intervention) of that Act is deemed to be replaced with "an action demanding payment under Article 212 (excluding paragraph (1), item (i) as applied mutatis mutandis pursuant to Article 96-4 of the Insurance Business Act (in case of a qualified former shareholder, limited to an action relating to liabilities and obligations in which the fact which gave rise to the action occurred before the time when the act listed in items of Article 847-2, paragraph (1) as applied mutatis mutandis pursuant to Article 96-4 of that Act) took effect)", and any other necessary technical replacement of terms is specified by Cabinet Order.

(Liabilities of Subscribers of Shares for Subscription for Which the Performance of Contribution Is Disguised)

Article 96-4-2 The provisions of Article 213-2 (Liabilities of Subscribers of Shares for Subscription for which the Performance of Contribution is Disguised) of the Companies Act apply mutatis mutandis to subscribers of shares issued on entity conversion; and the provisions of Part VII, Chapter 2, Section 2 (excluding Article 847-3, Article 849, paragraph (2) item (ii), paragraph (7), and paragraph (10) item (ii), and Article 853, paragraph (1), item (iii)) (Action for Pursing the Liability, etc. of a Stock Company) of that Act apply mutatis mutandis to an action seeking payment or delivery under Article 213-2, paragraph (1) of that Act as applied mutatis mutandis pursuant to this Article. In this case, the term "a stock company" in that paragraph is deemed to be replaced with "a mutual company which implements entity conversion prescribed in Article 86, paragraph (1) of the Insurance Business Act"; the phrase "Article 208, paragraph (1)" in item (i) of that paragraph is deemed to be replaced with "Article 96, paragraph (1) of the Insurance Business Act"; the term "Article 208, paragraph (2)" in item (ii) of that paragraph is deemed to be replaced with "Article 96, paragraph (2) of the Insurance Business Act"; the term "all shareholders" in paragraph (2) of that paragraph is deemed to be replaced with "all members (or all shareholders after the entity conversion)"; the phrase "having the shares consecutively for the preceding six months or

longer" in Article 847, paragraphs (1) and (2) (Action for Pursuing Liability, etc. by Shareholders) of that Act is deemed to be replaced with "having the shares consecutively for the preceding six months or longer"; the term "shareholders having the shares" in Article 847, paragraphs (1) and (2) (Action for Pursuing Liability, etc. by Shareholders) of that Act is deemed to be replaced with "shareholders having the shares (or, where six months (or any shorter period prescribed by the articles of incorporation; hereinafter the same applies in this paragraph) have not elapsed since the effective date of an entity conversion, persons who had been members from six months prior until the effective date of the entity conversion and have been holding the shares without interruption since the effective date of the entity conversion)"; the phrase "A person who had been a shareholder of a stock company continuously for six months or longer (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items occur until that day" in Article 847-2, paragraph (1) (Action for Pursuing Liability, etc. by Former Shareholders) of that Act is deemed to be replaced with "A person who had been a shareholder of a converted stock company continuously for six months or longer (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items occur until that day (or, if such date is before the expiration of six months from the day when the entity conversion takes effect (or, within the shorter period, if such term is provided in the articles of incorporation; hereinafter the same applies in this paragraph, a person who had been a member continuously from the day six months prior to the relevant date to the date when the entity conversion takes effect, and who has continuously held the shares from the date when the entity conversion takes effect)"; the phrase "continuously from six months or longer (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items until that day" in paragraph (2) of that Article is deemed to be replaced with "A person who had been a shareholder of a converted stock company continuously for six months or more (or, if a shorter period is prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items occur until the relevant day (or, if such date is before the expiration of six months from the day when the entity conversion takes effect (or, within the shorter period, if such term is provided in the articles of incorporation; hereinafter the same applies in this paragraph, a person who had been a member continuously from the day six months prior to the relevant date to the date when the entity conversion takes effect, and who has continuously held the shares from the date when the entity conversion takes effect)"; the phrase "A person who had been a shareholder of a stock company continuously for six months or more (or, if a shorter period is

prescribed in the articles of incorporation, such period) before the day when the acts listed in the following items occur until that day" in that paragraph is deemed to be replaced with "A person who had been a shareholder of a converted stock company continuously for six months or longer (or, if a shorter period is prescribed in the articles of incorporation, such period) on the day when the acts listed in the following items occur until that day"; the phrases "Article 55, Article 102-2, paragraph (2), Article 103, paragraph (3), Article 120, paragraph (5), Article 213-2, paragraph (2), Article 286-2, paragraph (2), Article 424 (including as applied mutatis mutandis pursuant to Article 486, paragraph (4)), proviso to Article 462, paragraph (3), Article 464, paragraph (2), and Article 465, paragraph (2)", "these provisions", and "Article 847-2, paragraph (9)" in paragraph (9) of that Article are deemed to be replaced with "Article 213-2, paragraph (2)", "that paragraph" and "Article 847-2, paragraph (9) as applied mutatis mutandis pursuant to Article 96-4-2 of the Insurance Business Act"; the phrase "a suit relating to an action for pursuing liability, etc. (in cases of a qualified former shareholder, limited to one related to the liabilities or obligations for which the fact causing them occurs by the time when the act listed in the items of Article 847-2, paragraph (1) becomes effective; in cases of a shareholder of an ultimate, wholly owning parent company, etc., limited to the action pursuing specific liability)" in Article 849, paragraph (1) (Intervention) of that Act is deemed to be replaced with "an action demanding payment under Article 213-2, paragraph (1) as applied mutatis mutandis pursuant to Article 96-4-2 of the Insurance Business Act (in case of a qualified former shareholder, limited to an action relating to liabilities and obligations in which the fact which gave rise to the action occurred before the time when the act listed in items of Article 847-2, paragraph (1) as applied mutatis mutandis pursuant to Article 96-4-2 of that Act took effect))", and any other necessary technical replacement of terms is specified by Cabinet Order.

(Liabilities of Directors in the Case of Disguising the Performance of Contribution)

Article 96-4-3 (1) In the cases listed in the items of Article 213-2, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to the preceding Article, a person prescribed by Cabinet Office Order as a director (including executive officers, in cases of a company with a nominating committee, etc.) involved in the disguising the performance of contribution by a subscriber of shares issued on entity conversion are liable to make the payment prescribed in the relevant items to the mutual company implementing the entity conversion; provided, however, that this does not apply to cases in which the person (excluding the person who disguised the performance of contribution)

proves that they did not fail to exercise due care with respect to the performance of their duties.

- (2) If a subscriber of shares issued on entity conversion is liable to make the payment prescribed in the items of Article 213-2, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to the preceding Article, if the person prescribed in the preceding paragraph is liable as set forth in that paragraph, these persons are to be joint and several obligors.

(Share Exchange on Entity Conversion)

- Article 96-5 (1) A converting mutual company may, at the time of entity conversion, carry out a share exchange on entity conversion (meaning an exchange of shares whereby a converting mutual company causes all of the shares of the converted stock company to be acquired by another stock company (hereinafter referred to as "wholly owning parent company resulting from the share exchange" in this Subsection) at the same time as the entity conversion; hereinafter the same applies in this Subsection).
- (2) A converting mutual company, in carrying out a share exchange on entity conversion, must conclude a contract for share exchange on entity conversion with the wholly owning parent company resulting from the share exchange.
- (3) The provisions of Article 791 (excluding paragraph (1), item (i) and paragraph (3)) (Keeping and Inspection of Documents Related to an Absorption-Type Split or Share Exchange) of the Companies Act apply mutatis mutandis to a converting mutual company carrying out a share exchange on entity conversion; the provisions of Article 309, paragraph (2) (excluding all items) (Resolution of Shareholders' Meetings), Article 324, paragraph (2) (excluding all items) (Resolution of Class Meetings) and Part V, Chapter V, Section 2, Subsection 2, Division 1 (excluding Article 795, paragraph (4), items (i) and (ii), Article 796, paragraph (2), item (i), (b), Article 799, paragraph (1), items (i) and (ii), Article 800, Article 801, paragraphs (1) and (2), Article 801, paragraph (3), items (i) and (ii), and Article 801, paragraph (5)) (Procedures for Stock Company) of that Act apply mutatis mutandis to a wholly owning parent company resulting from the share exchange; and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (2) (limited to the part involving item (ii)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and Other Procedures), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and Other Procedures), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply

mutatis mutandis to an application under Article 798, paragraph (2) of that Act as applied mutatis mutandis pursuant to this paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Allocation of Shares of Wholly Owning Parent Company for Share Exchange to Members)

Article 96-6 (1) Notwithstanding the provisions of Article 90, paragraph (1), the members of a converting mutual company carrying out a share exchange on entity conversion, as prescribed by the entity conversion plan, is to receive allocation of shares issued, or monies granted, at the time of the share exchange by the wholly owning parent company resulting from the share exchange.

(2) The provisions of Article 90, paragraphs (2) through (4) apply mutatis mutandis to the case set forth in the preceding paragraph. In this case, the term "the preceding paragraph" in paragraph (2) of the same Article is deemed to be replaced with "Article 96-6, paragraph (1)"; the term "the preceding two paragraphs" in Article 90, paragraph (3) is deemed to be replaced with "Article 96-6, paragraph (1) and the preceding paragraph"; and the term "the preceding three paragraphs" in Article 90, paragraph (4) is deemed to be replaced with "Article 96-6, paragraph (1) and the preceding two paragraphs"; any other necessary technical replacement of terms is specified by Cabinet Order.

(3) If a converting mutual company issuing shares pursuant to the provisions of Article 92 carries out a share exchange on entity conversion, the subscribers for shares who have made payments or delivered contributions in kind for their shares, as prescribed by the entity conversion plan, are to receive allocation of shares issued, or monies delivered, at the time of the share exchange by the wholly owning parent company resulting from the share exchange.

(Particulars of Share Exchange on Entity Conversion to Be Prescribed by Entity Conversion Plan)

Article 96-7 In the case of a share exchange on entity conversion, the entity conversion plan and the contract for share exchange on entity conversion must prescribe the following particulars:

- (i) the names, trade names, and addresses of the converting mutual company and the wholly owning parent company resulting from the share exchange;
- (ii) the following particulars regarding any shares, etc. (meaning shares or monies; hereinafter the same applies in this Section) issued or granted by the wholly owning parent company resulting from the share exchange to the members of the converting mutual company (including the subscribers for the shares issued pursuant to the provisions of Article 92; hereinafter the same applies in this Article) in carrying out the share exchange on entity

conversion:

- (a) if the shares, etc. are the shares of the wholly owning parent company resulting from the share exchange, the number of those shares (or, in a company with class shares, the classes of shares and the numbers of shares by class) or the method of its calculation, and the particulars of the amount of stated capital and reserves of the wholly owning parent company resulting from the share exchange; or
- (b) if the shares, etc. are monies, the amount of the monies or the method of its calculation;
- (iii) in the case of the preceding item, the particulars of the allocation of the shares, etc. set forth in that item to the members of the converting mutual company (excluding the wholly owning parent company resulting from the share exchange);
- (iv) the method of selling any additional fraction of shares to be issued as a result of the allocation of shares to the members of the converting mutual company and any other particulars specified by Cabinet Office Order regarding the sale;
- (v) the method of purchasing any additional fraction of shares arising under the preceding item and any other particulars specified by Cabinet Office Order regarding the purchase; and
- (vi) the day on which the entity conversion and share exchange on entity conversion take effect.

(Share Transfer on Entity Conversion)

Article 96-8 (1) A converting mutual company may, at the time of entity conversion, carry out a share transfer on entity conversion (meaning a transfer whereby a converting mutual company or two or more converting mutual companies cause all of the shares of the converted stock company (including, in the case set forth in paragraph (1), item (ix) of the following Article, the stock company set forth in that item) to be acquired by a new stock company to be incorporated (hereinafter referred to as "wholly owning parent company incorporated in a share transfer on entity conversion" in this Subsection) at the time of the entity conversion).

(2) The provisions of Article 96-6 apply mutatis mutandis to a share transfer on entity conversion. In this case, the phrase "wholly owning parent company resulting from the share exchange" in paragraph (1) of the same Article is deemed to be replaced with "wholly owning parent company incorporated in a share transfer on entity conversion"; the term "Article 96-6, paragraph (1)" in Article 96-6, paragraph (2) is deemed to be replaced with "Article 96-6, paragraph (1) as applied mutatis mutandis pursuant to Article 96-8, paragraph (2)"; and the phrase "wholly owning parent company resulting from the share

exchange" in Article 96-6, paragraph (3) is deemed to be replaced with "wholly owning parent company incorporated in a share transfer on entity conversion"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Particulars of Share Transfer on Entity Conversion to Be Prescribed by Entity Conversion Plan)

Article 96-9 (1) In the case of a share transfer on entity conversion, the entity conversion plan must prescribe the following particulars:

- (i) the purpose of the wholly owning parent company incorporated in a share transfer on entity conversion, the trade name, the location of its head office, and the total number of authorized shares;
- (ii) beyond what is set forth in the preceding item, particulars specified by the articles of incorporation of the wholly owning parent company incorporated in a share transfer on entity conversion;
- (iii) the names of the persons to serve as directors at the incorporation of the wholly owning parent company incorporated in a share transfer on entity conversion;
- (iv) the particulars set forth in the following sub-items in accordance with the categories listed in each sub-item:
 - (a) if the wholly owning parent company incorporated in a share transfer on entity conversion is a company with accounting advisors: the names of the persons to become accounting advisors at the incorporation of the wholly owning parent company incorporated in a share transfer on entity conversion;
 - (b) if the wholly owning parent company incorporated in a share transfer on entity conversion is a company with auditors: the names of the persons to become company auditors at the incorporation of the wholly owning parent company to be incorporated in a share transfer on entity conversion; or
 - (c) if the wholly owning parent company incorporated in a share transfer on entity conversion is a company with a accounting auditors: the names of the persons to become accounting auditors at the incorporation of the wholly owning parent company incorporated in a share transfer on entity conversion;
- (v) the number of the shares (or, in a company with class shares, the classes of shares and the numbers of shares by class) to be issued by the wholly owning parent company incorporated in a share transfer on entity conversion to the members of the converting mutual company (including the subscribers for shares issued pursuant to the provisions of Article 92; hereinafter the same applies in this Article) in carrying out the share transfer on entity conversion or the method of calculating the number, and the particulars of the amounts

- of the stated capital and reserves of the wholly owning parent company incorporated in a share transfer on entity conversion;
- (vi) particulars of the allocation of the shares set forth in the preceding item to the members of the converting mutual company;
 - (vii) the amount of any money to be granted by the wholly owning parent company incorporated in a share transfer on entity conversion to the members of the converting mutual company in carrying out the share transfer on entity conversion or the method of calculating the amount;
 - (viii) in the case of the preceding item, the particulars of the allocation of the money set forth in that item to the members of the converting mutual company; and
 - (ix) in jointly incorporating a wholly owning parent company incorporated in a share transfer on entity conversion with another converting mutual company or a stock company, that fact and the particulars listed in Article 773, paragraph (1), items (ix) and (x) (Share Transfer Plan) of the Companies Act regarding the share options of the stock company.
- (2) If a wholly owning parent company incorporated in a share transfer on entity conversion is a company with an audit and supervisory committee, the particulars listed in item (iii) of the preceding paragraph must be specified separately for persons to become directors upon the incorporation of wholly owning parent company incorporated in a share transfer on entity conversion who are advisory committee members upon the wholly owning parent company incorporated in a share transfer on entity conversion, and for other persons to become directors upon the incorporation of wholly owning parent company incorporated in a share transfer on entity conversion.
- (3) The provisions of Part II, Chapter I (excluding Article 27 (excluding items (iv) and (v)), Article 29, Article 31, Article 37, paragraph (3), Article 39, Section 6 and Article 49) (Incorporation) of the Companies Act do not apply to the incorporation of a wholly owning parent company incorporated in a share transfer on entity conversion.
- (4) The articles of incorporation of a wholly owning parent company incorporated in a share transfer on entity conversion is prepared by the converting mutual company carrying out the share transfer on entity conversion (or, in the case of paragraph (1), item (ix), the converting mutual company carrying out the share transfer on entity conversion and the stock company set forth in that item).
- (5) The provisions of Article 811 (excluding paragraph (1), item (i)) (Keeping and Inspection of Documents Related to an Incorporation-Type Company Split or Share Transfer) of the Companies Act apply mutatis mutandis to a converting mutual company carrying out a share transfer on entity conversion; the provisions of Article 219, paragraph (1) (limited to the part involving item (viii)), (2) (limited to the part involving item (vi)) and (3) (Public Notice in

Relation to Submission of Share Certificate), Article 220 (Cases If Share Certificates Cannot be Submitted), Article 293, paragraph (1) (limited to the part involving item (vii)), paragraph (2) (limited to the part involving item (viii)), and paragraphs (3) to (5) (Public Notice in Relation to Submission of Share Option Certificate), Article 309, paragraph (2) (excluding the items) and paragraph (3) (limited to the part involving item (iii)) (Resolution of Shareholders Meetings), Article 324, paragraph (2) (excluding the items) and paragraph (3) (limited to the part involving item (ii)) (Resolution of Class Meetings), and Part V, Chapter V, Section 3, Subsection 1, Division 1 (excluding Article 803, paragraph (1), items (i) and (ii), Article 805, Article 808, paragraph (1), items (i) and (ii), Article 808, paragraph (3), items (i) and (ii), Article 810, paragraph (1), items (i) and (ii), Article 811, paragraph (1), item (i), Article 811, paragraph (3), and Article 812) (Procedures for Stock Company) of that Act apply mutatis mutandis to a stock company set forth in paragraph (1), item (ix); and the provisions of Article 815, paragraph (3) (limited to the part involving item (iii)), paragraph (4) and paragraph (6) (Retention and Inspection of Documents Related to a Consolidation-Type Merger Agreement) of that Act apply mutatis mutandis to a wholly owning parent company formed by share transfer on entity conversion. In this case, the phrase "A wholly owning parent company incorporated in a share transfer as prescribed in Article 773, paragraph (1), item (i)" in Article 219, paragraph (2), item (vi) and Article 293, paragraph (2), item (viii) of that Act is deemed to be replaced with "A converted wholly owning parent company incorporated in a share transfer prescribed in Article 96-8, paragraph (1) of the Insurance Business Act", and any other necessary technical replacement of terms is specified by Cabinet Order.

(Authorization of Entity Conversion)

Article 96-10 (1) An entity conversion must not take effect without the authorization of the Prime Minister.

(2) When an application has been filed for the authorization set forth in the preceding paragraph, the Prime Minister must examine whether it conforms to the following standards:

- (i) the converted stock company has a sufficient financial basis to execute its business in a sound and efficient manner;
- (ii) the entity conversion poses no risk of harming the rights of policyholders;
- (iii) the allocation of shares or money under Article 90 or 96-6 (including as applied mutatis mutandis pursuant to Article 96-8, paragraph (2)) has been carried out appropriately; and
- (iv) beyond what is set forth in the preceding three items, the entity conversion poses no risk of precluding sound business operation.

(Effectuation of Entity Conversion)

Article 96-11 (1) A converting mutual company becomes a stock company on the effective date (or, in the case of a share transfer on entity conversion, the date of the establishment of the wholly owning parent company incorporated in a share transfer on entity conversion).

(2) The members of a converting mutual company, on the effective date, are to become holders of the shares set forth in Article 86, paragraph (4), item (v) pursuant to the provisions on the particulars listed in Article 86, paragraph (4), item (vi).

(3) The provisions of the preceding two paragraphs do not apply to the cases if a procedure under Article 88 has not been completed or if the entity conversion has been discontinued.

Article 96-12 (1) Notwithstanding the provisions of paragraph (2) of the preceding Article and Article 96-2, paragraph (1), the wholly owning parent company resulting from the share exchange is to acquire all of the issued shares of a converted stock company (excluding the shares of the converted stock company held by the wholly owning parent company resulting from the share exchange) on the effective date, if the converting mutual company carries out a share exchange on entity conversion.

(2) Notwithstanding the provisions of paragraph (2) of the preceding Article and Article 96-2, paragraph (1), the members of a converting mutual company (including the subscribers for the shares issued pursuant to the provisions of Article 92) become holders of the shares set forth in Article 96-7, item (ii), (a) on the effective date pursuant to the provisions on the particulars listed in item (iii) of the same Article, if the converting mutual company carries out a share exchange on entity conversion.

(3) The provisions of the preceding two paragraphs do not apply to the cases if a procedure under Article 88 has not been completed or if the entity conversion has been discontinued.

Article 96-13 (1) Notwithstanding the provisions of Article 96-11, paragraph (2) and Article 96-2, paragraph (1), the wholly owning parent company incorporated in a share transfer on entity conversion, on the date of its establishment, are to acquire all of the shares to be allocated to members pursuant to the provisions of Article 90, paragraph (1) (including the shares issued pursuant to the provisions of Article 92 and the shares issued by the stock company set forth in Article 96-9, paragraph (1), item (ix)), where the converting mutual company carries out a share transfer on entity conversion.

(2) Notwithstanding the provisions of Article 96-11, paragraph (2) and Article 96-2, paragraph (1), the members of a converting mutual company (including the

subscribers for the shares issued pursuant to the provisions of Article 92 and the shareholders of the stock company set forth in Article 96-9, paragraph (1), item (ix)), on the date of the establishment of the wholly owning parent company incorporated in a share transfer on entity conversion, are to become holders of the shares set forth in Article 96-9, paragraph (1), item (v) pursuant to the provisions on the particulars listed in Article 96-9, paragraph (1), item (vi), if the converting mutual company carries out a share exchange on entity conversion.

- (3) The provisions of Article 774, paragraphs (4) and (5) (Effectuation of Share Transfer) of the Companies Act apply mutatis mutandis to the case of Article 96-9, paragraph (1), item (ix). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Registration)

Article 96-14 (1) If a mutual company has carried out an entity conversion, the converting mutual company must complete registration of the dissolution within two weeks from the date of entity conversion at the locality of its principal office and within three weeks from the relevant date at the locality of its secondary offices; and the converted stock company must make a registration of incorporation within two weeks from the date of entity conversion at the locality of its head office and within three weeks from the relevant date at the locality of its branch offices.

- (2) The provisions of Article 89 (limited to the part involving items (i) through (iv)) (Registration of Share Exchange) of the Commercial Registration Act apply mutatis mutandis to a share exchange on entity conversion carried out by a converting mutual company; and the provisions of Article 925 (excluding items (ii) and (iv)) (Registration of Share Transfer) and Article 930, paragraph (1) (limited to the part involving item (iv)) (Registration at Location of Branch Offices) of the Companies Act, and the provisions of Article 90 (Registration of Share Transfer) of the Commercial Registration Act apply mutatis mutandis to a share transfer on entity conversion carried out by a converting mutual company. In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (3) The following documents must be attached to a written application for registration of incorporation under paragraph (1), in addition to those specified in Articles 18, 19 and 46 of the Commercial Registration Act as applied mutatis mutandis pursuant to Article 67:
- (i) entity conversion plan;
 - (ii) articles of incorporation;
 - (iii) the minutes of the mutual company's general meeting;
 - (iv) a document certifying that the directors (or directors and company auditors,

- if the converted stock company is a company with auditors, or directors who are audit and supervisory committee members or other directors, if the converted stock company is a company with an audit and supervisory committee) of the converted stock company have accepted the assumption of office;
- (v) if accounting advisors or accounting auditors have been appointed for the converted stock company, the following documents:
 - (a) a document certifying that those persons have accepted the assumption of office;
 - (b) if those persons are corporations, certificates of registered information for the corporations; provided, however, that this does not apply to the cases in which the principal offices of the corporations are located within the district under the jurisdiction of the relevant registry office; and
 - (c) if those persons are not corporations, a document certifying that the accounting advisors meet the requirement of Article 333, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-4, or that the accounting auditors meet the requirement of Article 337, paragraph (1) of that Act as applied mutatis mutandis pursuant to Article 53-7;
 - (vi) a document certifying a contract with an administrator of the shareholder register;
 - (vii) a document certifying that public notice under Article 88, paragraph (2) has been given;
 - (viii) if any policyholder or other creditor has raised their objection under Article 88, paragraph (4), a document certifying that the company has made payment or provided equivalent security to the policyholder or other creditor, or entrusted equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receive the payment, or a document certifying that the entity conversion poses no risk of harming the interest of the policyholder or other creditor;
 - (ix) a document certifying that the number of policyholders who have raised their objections referred to in Article 88, paragraph (6) has not exceeded one fifth of the total number of policyholders, or a document certifying that the amount specified by Cabinet Office Order prescribed in that paragraph as the credits belonging to the policyholders has not exceeded one fifth of the total amount referred to in that paragraph; and
 - (x) if shares have been issued on the entity conversion pursuant to the provisions of Article 92, the following documents:
 - (a) a document certifying the offers to subscribe for the shares;
 - (b) if contribution is to be made in the form of money, a document certifying that payments have been made pursuant to the provisions of Article 96,

- paragraph (1);
- (c) if contribution is to be made in the form of non-monetary property, the following documents:
1. if an inspector has been elected, a document stating the investigation report of the inspector and its annexed documents;
 2. in the cases listed in Article 207, paragraph (9), item (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4, a document certifying the market value of the securities;
 3. in the cases listed in Article 207, paragraph (9), item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4, a document stating the verification set forth in that item and its annexed documents; and
 4. in the cases listed in Article 207, paragraph (9), item (v) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4, the accounting books stating the monetary claim set forth in that item; and
- (d) certified copy of the judicial decision on the report of the inspector.
- (4) In addition to the documents set forth in Article 18 and Article 19 (Documents to be Attached to Written Application) and Article 46 (General Provisions for Attached Documents) of the Commercial Registration Act, and Article 89 (limited to the part involving items (i) through (iv)) of that Act as applied mutatis mutandis pursuant to paragraph (2), and the documents listed in the items of the preceding paragraph, a certificate of registered information for the mutual company (unless the principal office of the mutual company is located within the district under the jurisdiction of the relevant registry office) must be attached to a written application for registration of change due to any share exchange on entity conversion carried out by a wholly owning parent company resulting from the share exchange.
- (5) In addition to the documents set forth in Articles 18, 19, and 46 of the Commercial Registration Act, and Article 90 of that Act as applied mutatis mutandis pursuant to paragraph (2), and the documents listed in the items of paragraph (3), a certificate of registered information for the mutual company (unless the principal office of the mutual company is located within the district under the jurisdiction of the relevant registry office) must be attached to a written application for incorporation due to any share transfer on entity conversion.
- (6) The provisions of Article 76 and Article 78 (Registration of Entity Conversion) of the Commercial Registration Act apply mutatis mutandis to the cases of paragraph (1); and the provisions of Article 46, paragraph (3) of that Act as applied mutatis mutandis pursuant to Article 67 apply mutatis mutandis to the cases referred to in Article 3, item (iii), paragraph (4) and the preceding

paragraph (limited to the part involving the documents listed in Article 3, item (iii)). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Application, Mutatis Mutandis, of Provisions on Entity Conversion from Stock Company to Mutual Company)

Article 96-15 The provisions of Article 82 apply mutatis mutandis to an entity conversion from a mutual company to a stock company. In this case, the term "Article 70, paragraph (2)" in paragraph (1) of the same Article is deemed to be replaced with "Article 88, paragraph (2)"; and the term "Article 70" in Article 82, paragraph (2) is deemed to be replaced with "Article 88"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Actions to Invalidate Entity Conversion)

Article 96-16 (1) The invalidity of an entity conversion may only be asserted in an action filed within six months from the effective date (or, in the case of a share transfer on entity conversion, the date of the establishment of the wholly owning parent company incorporated in a share transfer on entity conversion; the same applies in the following paragraph).

(2) An action to invalidate an entity conversion may only be filed by the person listed in the following items in accordance with the category of cases set forth in each item:

(i) in the case of an entity conversion accompanied by a share exchange on entity conversion, a person who was a member, etc. of the converting mutual company or a shareholder, etc. of the wholly owning parent company resulting from the share exchange as of the effective date, or a shareholder, etc. or bankruptcy trustee of the converted stock company or a creditor of the converted stock company who has not approved of the entity conversion or a shareholder, etc. or bankruptcy trustee of the wholly owning parent company resulting from the share exchange;

(ii) in the case of an entity conversion accompanied by a share transfer on entity conversion, a person who was a member, etc. of the converting mutual company as of the effective date, or a shareholder, etc. or bankruptcy trustee of the converted stock company or the stock company set forth in Article 96-9, paragraph (1), item (ix) or a creditor of the stock company who has not approved of the entity conversion or a shareholder, etc. or bankruptcy trustee of the wholly owning parent company incorporated in a share transfer on entity conversion; or

(iii) in the cases than those listed in the preceding two paragraphs, a person who was a member, etc. of the converting mutual company as of the effective date, or a shareholder, etc. or bankruptcy trustee of the converted stock

company or a creditor of the converted stock company who has not approved of the entity conversion.

(3) An action to invalidate an entity conversion is filed against the person listed in the following items in accordance with the category of cases set forth in each item:

(i) in the case set forth in item (i) of the preceding paragraph: the converted stock company and the wholly owning parent company resulting from the share exchange;

(ii) in the case set forth in item (ii) of the preceding paragraph: the converted stock company and the wholly owning parent company incorporated in a share transfer on entity conversion; and

(iii) in the case set forth in item (iii) of the preceding paragraph: the converted stock company.

(4) The provisions of Article 835, paragraph (1) (Jurisdiction over Actions), Articles 836 through 839 (Order to Provide Security, Mandatory Consolidation of Oral Arguments, Persons Affected by a Judgment Being Upheld, Effects of a Judgment of Invalidity, Revocation or Rescission), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (3) (limited to the part involving item (i)) and paragraph (4) (Commissioning of Registration by a Judicial Decision) of the Companies Act apply mutatis mutandis to an action to invalidate an entity conversion; the provisions of Article 840 (Effects of a Judgment of Invalidity of New Share Issue) of that Act apply mutatis mutandis to a judgment of invalidity of an entity conversion accompanied by the issuance of shares on entity conversion under Article 92; the provisions of Article 844 (Effects of a Judgment of Invalidity of a Share Exchange or Share Transfer) of that Act apply mutatis mutandis to a judgment of invalidity of an entity conversion accompanied by a share exchange on entity conversion or share transfer on entity conversion; and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (ii)) (Immediate Appeal), the main clause of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Articles 875 through 877 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act, Supreme Court Rules, Mandatory Consolidation of Hearings, etc.) and Article 878, paragraph (1) (Effect of Judicial Decision) of that Act apply mutatis mutandis to an application under Article 840, paragraph (2) of that Act as applied mutatis mutandis pursuant to this paragraph. In this case, the term "shareholder" in Article 878, paragraph (1) is deemed to be replaced with "shareholder or member"; any other necessary technical replacement of terms is specified by Cabinet Order.

(5) For the purpose of applying the provisions of Article 475 (Causes of

Commencement of Liquidation) of the Companies Act to a wholly owning parent company incorporated in a share transfer on entity conversion, the term "in the cases listed below" in that Article is deemed to be replaced with "in the cases listed below or the cases if a judgment in favor of any claim in an action to invalidate an entity conversion accompanied by a share transfer on entity conversion under Article 96-8, paragraph (1) of the Insurance Business Act has become final and binding".

Chapter III Business

(Scope of Business)

Article 97 (1) An insurance company may, in accordance with the class of licenses provided under Article 3, paragraph (2), underwrite insurance.

(2) An insurance company must invest assets such as money received as insurance premiums by any of the means specified by Cabinet Office Order, such as acquisition of securities.

Article 97-2 (1) An insurance company must not invest assets specified by Cabinet Office Order in excess of the amount calculated pursuant to the provisions of Cabinet Office Order.

(2) Beyond what is set forth in the preceding paragraph, the amount of assets as specified by Cabinet Office Order to be invested in the same person by an insurance company (including any person specially related to that same person as specified by Cabinet Office Order; the same applies in the following paragraph) must not exceed the amount calculated pursuant to the provisions of Cabinet Office Order.

(3) If an insurance company has a subsidiary company or a person to which it is specially related as specified by Cabinet Office Orders (hereinafter referred to in this Article as "subsidiary companies, etc."), the total amount of assets as specified by Cabinet Office Order to be invested in the same person by an insurance company and its subsidiary companies, etc., or by the subsidiary companies, etc. must not exceed the amount calculated pursuant to the provisions of Cabinet Office Order.

Article 98 (1) An insurance company may, in addition to the business it carries out pursuant to the provisions of Article 97, carry out the following business and other business incidental thereto:

(i) business agency or business handling service of administrative affairs (limited to those specified by Cabinet Office Order) of other insurance companies (including foreign insurers) for small amount and short term insurers, shipowners' mutual insurance associations (meaning shipowners'

- mutual insurance associations as defined in Article 2, paragraph (1) (Definition) of the Act on Shipowners' Mutual Insurance Associations (Act No. 177 of 1950)), and other persons conducting financial business;
- (ii) guarantee of obligation;
 - (iii) underwriting (excluding that carried out for the purpose of secondary distribution) of national government bonds, local government bonds, or government-guaranteed bonds (hereinafter referred to as "national government bonds, etc." in this Article) or handling of public offerings of the national government bonds, etc. pertaining to that underwriting;
 - (iv) acquisition or transfer (not for the purpose of asset investment) of monetary claims (including those indicated in any of the certificates specified by Cabinet Office Order, such as certificates of negotiable deposits);
 - (iv)-2 underwriting (excluding that carried out for the purpose of secondary distribution) of specified corporate bonds issued by special purpose companies (excluding specified short-term corporate bonds and limited to those where only monetary claims (excluding claims pertaining to negotiable instrument payable to order as prescribed in Part III, Chapter 1, Section 7, Subsection 1 (Negotiable Instrument Payable to Order) of the Civil Code, registered negotiable instruments payable to holder as prescribed in Subsection 2 (Registered Negotiable Instruments Payable to Holder) of that Section, other registered negotiable instruments as prescribed in Subsection 3 (Other Registered Negotiable Instruments) of that Section, bearer instruments as prescribed in Subsection 4 (Bearer Instruments) of that Section, and electronically recorded monetary claims as defined in Article 2, paragraph (1) (Definitions) of the Electronically Recorded Monetary Claims Act (Act No. 102 of 2007); hereinafter the same applies in this item) or rights of beneficiary of trust into which monetary claims are placed are acquired using the money gained through the issuance of that specified corporate bond under asset securitization plans; hereinafter the same applies in this item) and any other securities specified by Cabinet Office Order as those equivalent to specified corporate bonds (hereinafter referred to as "specified bonds, etc." in this item) or handling of public offering of the specified corporate bonds, etc. pertaining to that underwriting;
 - (iv)-3 acquisition or transfer of short-term corporate bonds, etc. (except those for the investment of assets);
 - (v) handling of a private placement of securities (except those that fall under monetary claims indicated on the certificates prescribed in item (iv) and short-term corporate bonds, etc.);
 - (vi) derivative transactions (excluding those which are carried out for the investment of assets and those which fall under the category of transactions of securities-related derivatives; the same applies in the following item) that

- are specified by Cabinet Office Order (excluding those that fall under the category of business listed in item (iv));
- (vii) intermediation, brokerage, or agency for derivative transactions (limited to those specified by Cabinet Office Order);
 - (viii) transactions in which the parties promise to give and receive money calculated based on the difference between the reference value that they have determined in advance, in terms of an indicator such as interest rate, currency value, commodity price, or price of carbon dioxide equivalent quotas (meaning carbon dioxide equivalent quotas as defined in Article 2, paragraph (6) (Definitions) of the Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998) or any other quotas similar thereto; the same applies in item (iv), paragraph (2) of the following Article) on the one hand, and the actual numerical value of that indicator at a fixed point of time in the future, on the other hand, or any equivalent transactions thereto, that are specified by Cabinet Office Order (referred to as "financial derivative transactions" in the following item) which are transactions found unlikely to damage the soundness of management of an insurance company as specified by Cabinet Office Order (excluding those that are carried out for the purpose of asset investment and those falling under the categories of business listed in items (iv) and (vi));
 - (ix) intermediation, brokerage, or agency for financial derivative transactions (excluding business that falls under the category of business specified in item (vii) and those specified by Cabinet Office Order);
 - (x) over-the-counter transactions of securities-related derivatives (limited to those that are settled through giving and receiving the difference in the case where the securities pertaining to that over-the-counter transactions of securities-related derivatives fall under the category of monetary claims that are indicated in the form of certificates as prescribed in item (iv) and are not short-term corporate bonds, etc.; the same applies in the following item) (except those which are carried out for the investment of assets); and
 - (xi) intermediation, brokerage, or agency for over-the-counter transactions of securities-related derivatives;
 - (xii) the business of granting the use of machinery or any other item under a contract for granting the use of the property which meets all of the following requirements:
 - (a) a contract which cannot be cancelled prior to the expiration of the period during which the use of the property covered by the contract (hereinafter referred to as the "leased property" in this item) is granted (hereinafter referred to as the "period of use" in this item), or a contract specified by Cabinet Office Order as equivalent thereto;
 - (b) a contract which provides that during the period of use, the total of the

- amount calculated by deducting an amount equivalent to the transfer value of the leased property given on the assumption that the leased property is transferred upon the expiration of the period of use, from the acquisition cost of the leased property, and an amount equivalent to fixed asset tax, insurance premiums and any other expenses specified by Cabinet Office Order as ancillary expenses necessary for granting the use of the leased property, is paid as consideration for the granting of the use; and
- (c) a contract which does not provide that upon the expiration of the period of use, the ownership for the leased property or the right to use or earn profit from the leased property is transferred to the other party;
- (xiii) acting as an agent or intermediary for the business set forth in the preceding items; and
- (xiv) the business of providing customer information acquired from the customer to a third party with the customer's consent or any other business in which the insurance company provides information it possesses to a third party that contributes to increased sophistication of the insurance business that the insurance company conducts or to enhanced convenience for users of the insurance company.
- (2) If an insurance company seeks to conduct the business listed in the preceding paragraph, item (i), the insurance company must specify its content and obtain authorization from the Prime Minister, except for cases if a principal insurance solicitation agent prescribed in Article 275, paragraph (3) obtains an authorization for conclusion of contracts relating to entrustment of insurance solicitation pursuant to the provisions of that paragraph; provided, however, that when the insurance company seeks to conduct the business pertaining to the insurance company's subsidiary company or any other persons specified by Cabinet Office Order as those having close relationships with the insurance company, it is sufficient for the insurance company to notify the Prime Minister of that fact and the content of the business in advance.
- (3) The term "government-guaranteed bonds" in paragraph (1), item (iii) means bonds, such as corporate bonds for which redemption of the principal and payment of interest are guaranteed by the government.
- (4) Business provided for in paragraph (1), item (iv) concerning the monetary claims indicated on the certificates prescribed in the same item which fall under securities and business provided for in the same paragraph, item (iv)-3 concerning short-term corporate bonds, etc. include business through which the actions set forth in Article 2, paragraph (8), items (i) through (vi) and items (viii) through (x) (Definitions) of the Financial Instruments and Exchange Act are taken.
- (5) The terms "special purpose company", "asset securitization plan" and "specified corporate bond" in paragraph (1), item (iv)-2 mean the special

purpose company, asset securitization plan, or specified corporate bond as defined in Article 2, paragraph (3), (4), or (7) (Definitions) of the Act on the Liquidation of Assets (Act No. 105 of 1998), respectively, and the term "specified short-term corporate bond" means the specified short-term corporate bond as defined in Article 2, paragraph (8) of the same Act.

- (6) The term "short-term corporate bonds, etc." referred to in paragraph (1), items (iv)-3, (v), and (x), and paragraph (4) means the following bonds:
- (i) short-term corporate bonds prescribed in Article 66, item (i) (Ownership of Rights) of the Act on Book-Entry Transfer of Corporate Bonds and Shares;
 - (ii) deleted
 - (iii) short-term investment corporation bonds prescribed in Article 139-12, paragraph (1) (Special Provisions on Short-term Investment Corporation Bonds) of the Act on Investment Trust and Investment Corporation (Act No. 198 of 1951);
 - (iv) short-term corporate bonds prescribed in Article 54-4, paragraph (1) (Issuance of Short-Term Bonds) of the Credit Union Act (Act No. 238 of 1951);
 - (v) short-term corporate bonds prescribed in Article 61-10, paragraph (1);
 - (vi) specified short-term corporate bonds prescribed in the preceding paragraph;
 - (vii) short-term Norinchukin Bank debentures prescribed in Article 62-2, paragraph (1) (Issuance of Short-Term Norinchukin Bank Debentures) of the Norinchukin Bank Act (Act No. 93 of 2001); and
 - (viii) among the rights to be indicated in bonds issued by foreign corporations for which ownership of the rights is to be decided based on the entry or record in the transfer account registry pursuant to the provisions of the Act on Book-Entry Transfer of Corporate Bonds and Shares (excluding bonds having a nature of corporate bond certificates with share options), those that satisfy all of the following requirements:
 - (a) the amount of each right is not less than hundred million yen;
 - (b) there are provisions on a fixed due date for redemption of the principal that is within one year from the day on which the total amount of the rights has been paid, and there are no provisions on an installment payment plan; and
 - (c) there are provisions to make the due date for the payment of interest the same date as the due date for the redemption of the principal set forth in (b).
- (7) The "handling of private placement of securities" set forth in paragraph (1), item (v) means the handling of the private placement of securities (meaning the private placement of securities as defined in Article 2, paragraph (3) (Definitions) of the Financial Instruments and Exchange Act).

- (8) The term "derivative transactions" and "transactions of securities-related derivatives" set forth in paragraph (1), item (vi) or (vii) respectively means the derivative transactions as defined in Article 2, paragraph (20) (Definitions) of the Financial Instruments and Exchange Act and the transactions of securities-related derivatives as defined in Article 28, paragraph (8), item (vi) (Definitions) of that Act.
- (9) The term "over-the-counter transactions of securities-related derivatives" in paragraph (1), item (x) or (xi) means the actions listed in Article 28, paragraph (8), item (iv) (Definitions) of the Financial Instruments and Exchange Act

Article 99 (1) An insurance company may, in addition to the business it carries out pursuant to the provisions of Article 97 and the preceding Article, carry out, with regard to the securities or transactions listed in the items of Article 33, paragraph (2) of the Financial Instruments and Exchange Act (Prohibition of Securities Services by Financial Institutions), business through which the actions listed in the items of the same paragraph (excluding business carried out pursuant to the provisions of the preceding Article, paragraph (1)) and business specified by Cabinet Office Order as incidental thereto, within a limit so as not to preclude the performance of business under Article 97.

(2) In addition to the business an insurance company carries out pursuant to the provisions of Article 97 and the preceding Article, it may conduct the following businesses, within a limit so as not to preclude the performance of business under Article 97:

- (i) commissioning the subscription or the administration of bonds such as local government bonds or corporate bonds;
 - (ii) trust business concerning secured bonds that is carried out pursuant to the Secured Bond Trust Act;
 - (iii) investment advisory business as defined in Article 28, paragraph (6) (General Provisions) of the Financial Instruments and Exchange Act;
 - (iv) conclusion of a contract on obtaining or transferring carbon dioxide equivalent quotas or business for providing intermediation, brokerage, or agency therefor (excluding business conducted pursuant to paragraph (1) of the preceding Article) that is specified by Cabinet Office Order; and
 - (v) fund transfer business as defined in Article 2, paragraph (2) (Definitions) of the Act on Financial Settlements (Act No. 59 of 2009).
- (3) A life insurance company may, in addition to the business it carries out pursuant to the provisions of Article 97 and the preceding Article, carry out business through which it underwrites trusts for insurance proceeds paid (hereinafter referred to as "insurance proceeds trust business"), within a limit so as not to preclude the performance of business under Article 97, notwithstanding the provisions of the Trust Business Act.

- (4) An insurance company, if it seeks to conduct business prescribed in paragraph (1) pursuant to the provisions of the same paragraph, must set forth the content and method of any such business in connection with which the other parties are many and unspecified, and obtain authorization from the Prime Minister. The same applies if an insurance company seeks to change the content and method of business for which it obtained the authorization.
- (5) An insurance company must obtain authorization from the Prime Minister if it seeks to conduct business listed in the items of paragraph (2) pursuant to the provisions of the same paragraph.
- (6) An insurance company, with regard to business listed in paragraph (2), items (i), (ii) and (v), is deemed to be a bank (a company including a stock company or bank prescribed by laws and regulations in the case of a mutual company) pursuant to the provisions of Cabinet Order, for the purpose of the application of the Secured Bond Trust Act and the other laws and regulations specified by Cabinet Order. In this case, the provisions of the proviso to Article 14, paragraph (2) (Trade Name) of the Trust Business Act do not apply.
- (7) A life insurance company, if it seeks to engage in insurance proceeds trust business, must set forth the method of conducting the business and obtain authorization from the Prime Minister. The same applies if a life insurance company seeks to change the method of conducting the business for which it obtained the authorization.
- (8) The provisions of Article 11 (Business Deposits), Article 22 (Entrustment of Trust Business), Article 23 (Liability of Trust Company Pertaining to Entrustment of Trust Business), and Articles 24 to 31 (Rules of Conduct Pertaining to Underwriting of Trust, Application, Mutatis Mutandis, of the Financial Instruments and Exchange Act, Explanation of the Content of Trust Contract, Written Issuance of Documents at Conclusion of Trust Contract, Issuance of Report on Trust Property Situation, Duty of Loyalty of Trust Company, etc., Conduct Rules Pertaining to Trust Property, Change of Important Trust, Explanation of Reimbursement of Costs or Scope of Advance Payment, Special Measures for Public Notice of Trusts, and Debt Set-off Pertaining to Trust Property), Article 42 (Inspections), and Article 49 (Dismissal Procedure in the Case of Rescission of License) of the Trust Business Act and Article 6 (Conclusion of Trust Contract on Loss Compensation) of the Act on Provision of Trust Business by Financial Institutions apply mutatis mutandis to cases if a life insurance company conducts insurance proceeds trust business pursuant to the provisions of paragraph (3). In this case, the phrases listed in the middle column of the following table in the provisions of the Trust Business Act listed in the left-hand column of the table is deemed to be replaced with the phrases listed in the right-hand column of the table.

Article 11, paragraph (10)	If the registration under Article 7, paragraph (3) is not renewed, in the case where the license under Article 3 is rescinded pursuant to the provisions of Article 44, paragraph (1), in the case where the registration under Article 7, paragraph (1) is rescinded pursuant to the provisions of Article 45, paragraph (1), or the license under Article 3 or registration under Article 7, paragraph (1) pursuant to the provisions of Article 46, paragraph (1)	If the license under Article 3, paragraph (1) of the Insurance Business Act is rescinded pursuant to the provisions of Article 133 or Article 134 of the same Act, or the license under Article 3, paragraph (1) of the same Act pursuant to the provisions of Article 273 of the same Act
Article 42, paragraph (2)	Notification or measures under Article 17 to 19 or the relevant	the relevant
Article 49, paragraph (1)	In the case where the registration under Article 7, paragraph (3) is not renewed, in the case where the license under Article 3 is rescinded pursuant to the provisions of Article 44, paragraph (1), or the registration under Article 7, paragraph (1) pursuant to the provisions of Article 45, paragraph (1)	License under Article 3, paragraph (1) of the Insurance Business Act pursuant to the provisions of Article 133 or Article 134 of the same Act

- (9) In the case if a life insurance company entrusts a third party to act as an agent or intermediary for the conclusion of a trust contract underwritten pursuant to the provisions of paragraph (3), the life insurance company is deemed to be a trust company and the provisions of Article 2, paragraph (8) (Definitions) and Chapter V (including penal provisions pertaining to those provisions) of the Trust Business Act apply. In this case, the term "affiliated trust company" in the same Chapter means "affiliated life insurance company" and "Article 34, paragraph (1)" in Article 78, paragraph (1) of the same Act means "Article 111, paragraphs (1) and (2) of the Insurance Business Act".
- (10) A life insurance company that conducts insurance proceeds trust business pursuant to the provisions of paragraph (3) is deemed to be a trust company pursuant to the provisions of Cabinet Order, with regard to the application of what is specified by Cabinet Order in the laws and regulations on taxation with regard to the insurance proceeds trust business.

(Restriction on Other Businesses)

Article 100 An insurance company may not conduct business other than business it conducts pursuant to the provisions of Article 97 and the preceding two Articles and business conducted pursuant to other laws.

(Measures Concerning Business Operations)

Article 100-2 Unless provided otherwise in this Act or any other law, an insurance company, pursuant to the provisions of Cabinet Office Order, must take measures to ensure sound and appropriate management, such as explanation of material particulars of its business to its customers, appropriate handling of customer information acquired in relation to its business, and proper execution of any business entrusted to a third party (including the cases where the relevant business is re-entrusted to a third party pursuant to the provisions of Article 275, paragraph (3)).

(Establishment of a System for the Protection of Customers' Interests)

Article 100-2-2 (1) When an insurance company, its parent financial institution, etc. or subsidiary financial institution, etc. conducts any transaction, the insurance company, pursuant to the provisions of Cabinet Office Order, must properly manage information connected with the business conducted by itself or its subsidiary financial institution, etc. (limited to insurance business and any other business specified by Cabinet Office Order), and establish a system for properly supervising the status of implementation of the business or taking any other measures necessary so that the interests of the customer of the business will not be unjustly harmed.

(2) The term "parent financial institution, etc." referred to in the preceding paragraph means a person that holds the majority of all shareholders' voting rights in an insurance company, and any other person that is specified by Cabinet Order as being closely related to the relevant insurance company and which is an insurance company, bank, financial instruments transaction business operator (meaning a financial instruments transaction business operator as defined in Article 2, paragraph (9) (Definitions) of the Financial Instruments and Exchange Act; the same applies hereinafter), or any other person conducting financial business that is specified by Cabinet Order.

(3) The term "subsidiary financial institution, etc." referred to in paragraph (1) means a person in which an insurance company holds the majority of all shareholders' voting rights, and any other person that is specified by Cabinet Order as being closely related to the insurance company and which is an insurance company, bank, financial instruments transaction business operator, or any other person conducting financial business that is specified by Cabinet

Order.

(Transactions with Specified Related Parties)

Article 100-3 An insurance company must not conduct the following transactions or take the following actions with any specified related party (meaning its subsidiary company, its major shareholder, the insurance holding company of which the insurance company is a subsidiary company, or a subsidiary company of such insurance holding company (other than the insurance company itself); hereinafter the same applies in this Article), or any other persons to which an insurance company is specially related as specified by Cabinet Order, or with a customer of a specified related party; provided, however, that this does not apply to the cases in which the authorization to conduct the transactions or take such actions is obtained from the Prime Minister for any compelling reasons specified by Cabinet Office Order:

- (i) any transaction conducted with the specified related party, such as the purchase and sale of assets, carried out on significantly different terms and conditions from those applied to normal transactions of the insurance company; and
- (ii) any transaction conducted or action taken with the specified related party or the customer of the specified related party which is equivalent to the transaction listed in the preceding item and which is specified by Cabinet Office Order as posing a risk to the sound and appropriate business operation of the insurance company.

(Prohibition on Becoming an Unlimited Partner)

Article 100-4 An insurance company may not become an unlimited partner or a partner who executes the business of a membership company.

(Delivery of Investment Report)

Article 100-5 (1) In relation to properties managed based on a performance-linked insurance contract (meaning an insurance contract stipulating that insurance proceeds, refunds or other benefits are paid to the policyholders in accordance with the performance of investment of the money received as insurance premiums; hereinafter the same applies in this Article, Article 118, paragraph (1), Article 315, item (viii) and Article 317-2, item (vii)), an insurance company must prepare an investment report stating the status of investment of the relevant properties and any other particulars specified by Cabinet Office Order and deliver it to a policyholder of the relevant performance-linked insurance contract, pursuant to the provisions of Cabinet Office Order; provided, however, that this does not apply to the case specified by Cabinet Office Order as cases in which the protection of policyholders is not

to be compromised by omission of delivery of an investment report to the policyholder.

- (2) In lieu of the delivery of an investment report pursuant to the provisions of the preceding paragraph, an insurance company may, with the authorization of the customer pursuant to the provisions of Cabinet Order, provide the particulars that are required to be stated in the investment report by a means using an electronic data processing system or any other means using information and communications technology pursuant to the provisions of Cabinet Office Order. In this case, the insurance company is deemed to have delivered the investment report.
- (3) The provisions of the preceding two paragraphs do not apply to cases if a policyholder under a performance-linked insurance contract concluded by an insurance company is a professional investor as defined in Article 2, paragraph (31) (Definitions) of the Financial Instruments and Exchange Act; provided, however, that this does not apply to cases specified by Cabinet Office Order as the cases in which the protection of policyholders, etc. may be compromised.

(Exclusion from Application of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade)

Article 101 (1) The provisions set forth in the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade do not apply to the following actions, which are taken with the authorization set forth in the following Article, paragraph (1); provided, however, that this does not apply to the cases if any unfair trade practices are used, where the substantial restraint of competition in certain fields of trade unjustly harms the interests of policyholders or the persons insured, or if one month has passed from the day public notice was given under the provisions of Article 105, paragraph (4) (excluding the cases in which the Prime Minister has rendered a disposition under the provisions of Article 103 in response to the request referred to in Article 105, paragraph (3)):

- (i) concerted actions carried out by a non-life insurance company with another non-life insurance company (including foreign non-life insurance companies, etc.) with regard to business specific to the aviation insurance business (meaning the business of underwriting insurance whose purpose is to insure aircrafts (including rockets; hereinafter the same applies in this item) or cargo transported by aircrafts, or insurance concerning liability for the compensation of damage caused by an aircraft accident; including business connected with underwriting injury insurance for persons on board the aircraft), the nuclear insurance business (meaning the business of underwriting insurance whose purpose is to insure a nuclear facility, or liability insurance for damage caused by an accident at a nuclear facility),

the automobile liability insurance business based on the provisions of the Act on Securing Compensation for Automobile Accidents, or the business under an earthquake insurance contract prescribed in the Act on Earthquake Insurance (Act No. 73 of 1966); and

(ii) concerted actions taken by a non-life insurance company with another non-life insurance company (including foreign non-life insurance companies, etc.) involving all or part of the following actions in connection with a reinsurance contract or insurance contract for reinsurance, if it is found that there is a risk of causing extreme disadvantage to a policyholder or those insured unless the non-life insurance company and another non-life insurance company (including foreign non-life insurance companies, etc.) jointly provide for reinsurance in advance to carry out risk distribution or equalization with regard to business connected with underwriting insurance not listed in the preceding item:

(a) decision on the content of the conditions of insurance policy (except those pertaining to the insurance rate);

(b) decision on the method of claim assessment;

(c) decision on the other party to or amount concerning reinsurance transactions; and

(d) decision on the reinsurance rate and reinsurance fee.

(2) If a request under the provisions of Article 105, paragraph (3) is made concerning a part of the content of concerted actions, the provisions of the main text of the preceding paragraph is deemed applicable notwithstanding the provisions of the proviso to the preceding paragraph (limited to the parts involving the public notice that was given under the provisions of paragraph (4) of the same Article) for parts of the content of the concerted actions which do not pertain to the request.

(Authorization of Concerted Actions)

Article 102 (1) If a non-life insurance company seeks to carry out concerted actions under the provisions of the items of paragraph (1) of the preceding Article or change their content, the non-life insurance company must obtain authorization from the Prime Minister.

(2) The Prime Minister must not grant the authorization referred to in the preceding paragraph unless the Prime Minister finds that the content of the concerted actions pertaining to the application for authorization of that paragraph conforms to the following items:

(i) unjust harm is not caused to the interest of policyholders or those insured;

(ii) the business is not unfairly discriminatory;

(iii) there is no unreasonable restraint of enrollment and withdrawal; and

(iv) it stays within the minimum necessary level in view of risk distribution or

equalization, or any other purpose of the concerted actions.

(Order to Change Concerted Actions and Rescind Authorization)

Article 103 If the Prime Minister finds that the content of the concerted actions pertaining to the authorization of the preceding Article, paragraph (1) no longer conforms to the items of the same Article, paragraph (2), must order the non-life insurance company to change the content of the concerted actions or rescind the authorization.

(Notification of Discontinuation of Concerted Actions)

Article 104 A non-life insurance company, upon discontinuing concerted actions must notify the Prime Minister of this without delay.

(Relationship with the Fair Trade Commission)

Article 105 (1) If the Prime Minister seeks to grant the authorization set forth in Article 102, paragraph (1), the Prime Minister must obtain the consent of the Fair Trade Commission in advance.

- (2) The Prime Minister, upon rendering a disposition under the provisions of Article 103 or accepting a notification under the provisions of the preceding Article, must notify the Fair Trade Commission of this without delay.
- (3) The Fair Trade Commission may, if it finds that the content of the concerted actions that obtained the authorization set forth in Article 102, paragraph (1) no longer conforms to the items of paragraph (2) of the same Article, request the Prime Minister to render a disposition pursuant to the provisions of Article 103.
- (4) The Fair Trade Commission, upon making a request under the provisions of the preceding paragraph, must give public notice of this in the Official Gazette.

(Obligation to Conclude a Contract with a Designated Dispute Resolution Organization for Life Insurance Business)

Article 105-2 (1) A life insurance company must take the measures specified in the following items in accordance with the category of cases set forth in each item:

- (i) if there is a designated dispute resolution organization for life insurance business (meaning a designated dispute resolution organization for which the category of business of dispute resolution, etc. is life insurance business; hereinafter the same applies in this Article): measures to conclude a basic contract for implementation of dispute resolution procedures for life insurance business with a single designated dispute resolution organization for life insurance business;
- (ii) if there is no designated dispute resolution organization for life insurance

business: complaint processing measures (meaning measures to have the person set forth in Article 308-13, paragraph (3), item (iii) provide advice or guidance to the employee or any other workers working to process complaints from the customers (including policyholders, etc. other than customers; the same applies in this item) or any other measures specified by Cabinet Office Order as being equivalent thereto; the same applies in the following Article, Article 272-13-2 and Article 299-2) and dispute resolution measures (meaning measures seeking to resolve disputes with customers through certified dispute resolution procedures (meaning certified dispute resolution procedures as defined in Article 2, item (iii) (Definition) of the Act on Promotion of Use of Alternative Dispute Resolution (Act No. 151 of 2004) or any other measures specified by Cabinet Office Order as being equivalent thereto; the same applies in the following Article, Article 272-13-2, and Article 299-2) concerning life insurance business.

- (2) If a life insurance company has taken measures to conclude a basic contract for implementation of dispute resolution procedures pursuant to the provisions of the preceding paragraph, the trade name or name of the designated dispute resolution organization for life insurance business that is the counterparty to the basic contract for implementation of dispute resolution procedures must be made public.
- (3) The provisions of paragraph (1) do not apply to the periods specified in the following items in accordance with the category of cases set forth in each item:
 - (i) if the case that had fallen under the cases set forth in paragraph (1), item (i), has come to fall under the cases set forth in item (ii) of that paragraph: the period specified by the Prime Minister as the period necessary to take the measures specified in that item at the time of granting authorization for discontinuation of business of dispute resolution, etc. under Article 308-23, paragraph (1) or rescinding the designation under Article 308-24, paragraph (1);
 - (ii) if the case had fallen under the cases set forth in paragraph (1), item (i), and the discontinuation of business of dispute resolution, etc. of a single designated dispute resolution organization for the life insurance business under that item has been authorized under Article 308-23, paragraph (1) or the designation under Article 308-2, paragraph (1) of a single designated dispute resolution organization for life insurance business under that item has been rescinded pursuant to Article 308-24, paragraph (1) (excluding the case set forth in the preceding item): the period specified by the Prime Minister at the time of granting such authorization or making such rescission, as the period necessary for taking the measures specified in paragraph (1), item (i); or
 - (iii) if the case that had fallen under the cases set forth in paragraph (1), item

(ii) has come to fall under the cases set forth in item (i) of that paragraph: the period specified by the Prime Minister at the time of designation under Article 308-2, paragraph (1), as the period necessary to take the measures specified in that item.

(Obligation to Conclude a Contract with a Designated Dispute Resolution Organization for Non-Life Insurance Business)

Article 105-3 (1) A non-life insurance company must take the measures specified in the following items in accordance with the category of cases set forth in each item:

- (i) if there is a designated dispute resolution organization for non-life insurance business (meaning a designated dispute resolution organization for which the category of business of dispute resolution, etc. is non-life insurance business; hereinafter the same applies in this Article): measures to conclude a basic contract for implementation of dispute resolution procedures for non-life insurance business with a single designated dispute resolution organization for non-life insurance business; or
 - (ii) if there is no designated dispute resolution organization for non-life insurance business: complaint processing measures and dispute resolution measures concerning non-life insurance business.
- (2) If a non-life insurance company has taken measures to conclude a basic contract for implementation of dispute resolution procedures pursuant to the provisions of the preceding paragraph, the trade name or name of the designated dispute resolution organization for non-life insurance business that is the other party to the relevant basic contract for implementation of dispute resolution procedures must be made public.
- (3) The provisions of paragraph (1) do not apply to the periods specified in the following items in accordance with the category of cases set forth in each item:
- (i) if the case that had fallen under the cases set forth in paragraph (1), item (i), has come to fall under the cases set forth in item (ii) of that paragraph: the period specified by the Prime Minister at the time of granting authorization for discontinuation of business of dispute resolution, etc. under Article 308-23, paragraph (1) or rescinding the designation under Article 308-24, paragraph (1), as the period necessary to take the measures specified in that item;
 - (ii) if the case had fallen under the cases set forth in paragraph (1), item (i), and the discontinuation of business of dispute resolution, etc. of a single designated dispute resolution organization for non-life insurance business under that item has been authorized under Article 308-23, paragraph (1) or the designation under Article 308-2, paragraph (1) of a single designated dispute resolution organization for non-life insurance business under that

- item has been rescinded pursuant to Article 308-24, paragraph (1) (excluding the case set forth in the preceding item): the period specified by the Prime Minister at the time of granting the authorization or making the rescission, as the period necessary for taking the measures specified in paragraph (1), item (i); and
- (iii) if the case that had fallen under the cases set forth in paragraph (1), item (ii) has come to fall under the cases set forth in item (i) of that paragraph: the period specified by the Prime Minister at the time of designation under Article 308-2, paragraph (1), as the period necessary to take the measures specified in that item.

Chapter IV Subsidiary Companies

(Scope of Insurance Company's Subsidiary Companies)

Article 106 (1) An insurance company must not have as its subsidiary company any company other than a company that falls under any of the companies specified in the following items (hereinafter such a company is referred to as a "company eligible to be a subsidiary company" in this Article):

- (i) a life insurance company;
- (ii) a non-life insurance company;
- (ii)-2 a small amount and short term insurer;
- (iii) a bank;
- (iv) a long-term credit bank as defined in Article 2 (Definitions) of the Long-Term Credit Bank Act (Act No. 187 of 1952) (hereinafter referred to as "long-term credit bank");
- (iv)-2 fund transfer specialists as defined in Article 2, paragraph (3) (Definitions) of the Act on Financial Settlements (excluding those falling under the company set forth in item (ix)) which exclusively conduct fund transfer business (meaning the fund transfer business as defined in paragraph (2) of that Article) or any other business specified by Cabinet Office Order (referred to as "companies specialized in fund transfer" in Article 271-22, paragraph (1), item (iv)-2);
- (v) a financial instruments transaction business operator that, in addition to securities services (meaning securities services as defined in Article 28, paragraph (8) (General Provisions) of the Financial Instruments and Exchange Act; the same applies hereinafter), exclusively conducts any of the business specified by Cabinet Office Order, such as business in which any of the actions listed in Article 35, paragraph (1), items (i) to (viii) (Scope of Business of Persons Who Engage in Type 1 Financial Instruments Transaction Business or Investment Management) of that Act (hereinafter referred to as "company specializing in securities") are taken;

- (vi) a financial instruments intermediary service provider as defined in Article 2, paragraph (12) (Definitions) of the Financial Instruments and Exchange Act that, in addition to the financial instruments intermediary service (meaning the financial instruments intermediary service as defined in Article 2, paragraph (11) (Definitions) of that Act and limited to those in which the following actions are taken in the course of trade; hereinafter the same applies in this item), exclusively conducts any of the business specified by Cabinet Office Order, such as business incidental to financial instruments intermediary service (hereinafter referred to as "company specialized in securities intermediation"):
 - (a) acts set forth in Article 2, paragraph (11), item (i) (Definitions) of the Financial Instruments and Exchange Act;
 - (b) intermediation for the entrustment of the purchase and sale of securities on financial instruments exchange markets as defined in Article 2, paragraph (17) (Definitions) of the Financial Instruments and Exchange Act or foreign financial instruments markets as defined in Article 2, paragraph (8), item (iii), (b) (Definitions) of that Act (excluding actions listed in (c));
 - (c) intermediation for the entrustment of actions set forth in Article 28, paragraph (8), item (iii) or (v) (General Provisions) of the Financial Instruments and Exchange Act; and
 - (d) actions set forth in Article 2, paragraph (11), item (iii) of the Financial Instruments and Exchange Act;
- (vii) a trust company specialized in the trust business (meaning the trust business as defined in Article 1, paragraph (1) of the Act on Provision of Trust Business by Financial Institutions; the same applies in item (viii), (a) of the following paragraph) (hereinafter referred to as "companies specialized in trust business");
- (viii) foreign companies that conduct insurance business;
- (ix) foreign companies that engage in banking (meaning banking as defined in Article 2, paragraph (2) (Definitions, etc.) of the Banking Act; the same applies hereinafter) (excluding those that fall under the category of companies specified in the preceding item);
- (x) foreign companies that engage in securities services (excluding those that fall under the companies specified in item (viii));
- (xi) foreign companies that conduct trust business (meaning trust business as defined in Article 2, paragraph (1) (Definitions) of the Trust Business Act; the same applies hereinafter) (excluding those that fall under the companies specified in item (viii));
- (xii) companies that exclusively conduct dependent services or finance-related services (limited, in case of those which conduct dependent services, to

companies that conduct dependent services mainly for business operated by the insurance company, its subsidiary companies (limited to those that fall under any of the categories in item (i), (ii) or (viii); the same applies in paragraph (11)) or other entities specified by Cabinet Office Order as being similar to the insurance company and its subsidiary companies, and in the case of those which conduct finance-related services and fall under any of the following business categories, to the cases specified in the respective categories):

- (a) companies which conduct specialized banking-related services, specialized securities-related services and specialized trust-related services: limited to the case if among all voting rights in the company, the total voting rights held by the insurance company's banking subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its banking subsidiary companies, etc., securities subsidiary companies, etc., and trust subsidiary companies, etc.), and the total voting rights held by the insurance company's securities subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its banking subsidiary companies, etc., securities subsidiary companies, etc., and trust subsidiary companies, etc.), and the total voting rights held by the insurance company's trust subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its banking subsidiary companies, etc., securities subsidiary companies, etc., and trust subsidiary companies, etc.);
- (b) companies which conduct specialized banking-related services and specialized securities-related services (excluding those falling under the category listed in (a)): limited to the case if among all voting rights in the company, the total voting rights held by the insurance company's banking subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its banking subsidiary companies, etc. and securities subsidiary companies, etc.), and the total voting rights held by the insurance company's securities subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its banking subsidiary companies, etc. and securities subsidiary companies, etc.);
- (c) companies which conduct specialized banking-related services and specialized trust-related services (excluding those falling under the category listed in (a)): limited to the case if among all voting rights in the company, the total voting rights held by the insurance company's banking subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its banking

- subsidiary companies, etc. and trust subsidiary companies, etc.), and the total voting rights held by the insurance company's trust subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its banking subsidiary companies, etc. and trust subsidiary companies, etc.);
- (d) companies which conduct specialized securities-related services and a specialized trust-related services (excluding those falling under the category listed in (a)): limited to the case if among all voting rights in the company, the total voting rights held by the insurance company's securities subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its securities subsidiary companies, etc. and trust subsidiary companies, etc.), and the total voting rights held by the insurance company's trust subsidiary companies, etc. exceeds the total voting rights held by the insurance company and its subsidiary companies (other than its securities subsidiary companies, etc. and trust subsidiary companies, etc.);
- (e) companies which conduct specialized banking-related services (excluding those falling under the category listed in (a), (b) or (c)): limited to the case if among all voting rights in the company, the total voting rights held by the insurance company's banking subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its banking subsidiary companies, etc.);
- (f) companies which conduct specialized securities-related services (other than a company falling under (a), (b) or (d)): limited to the case if among all voting rights in the company, the total voting rights held by the insurance company's securities subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its securities subsidiary companies, etc.); and
- (g) companies which conduct specialized trust-related services (excluding those falling under the category listed in (a), (c) or (d)): limited to the case if among all voting rights in the company, the total voting rights held by the insurance company's trust subsidiary companies, etc. exceed the total voting rights held by the insurance company and its subsidiary companies (other than its trust subsidiary companies, etc.);
- (xiii) companies specified by Cabinet Office Order as those exploring new business fields or conducting new business activities found to contribute considerably to the improvement of management (limited to the case if among all voting rights in the company, the total voting rights held by the insurance company and its subsidiary companies other than those falling under the categories listed in the preceding item and specified by Cabinet Office Order (such excluded companies are referred to as a "specified

- subsidiary company" in paragraph (7) of the following Article) does not exceed the voting right holding threshold prescribed in paragraph (1) of the same Article);
- (xiii)-2 in addition to the companies set forth in the preceding items, a company which conducts business that contribute to or are expected to contribute to increased sophistication of the insurance business that the insurance company conducts or to enhanced convenience for users of the insurance company by using information and telecommunication technology or other technologies;
 - (xiv) among holding companies whose subsidiary companies consist exclusively of companies falling under any of the categories specified in the preceding items and the following item, those specified by Cabinet Office Order (including those which are scheduled to become such holding companies); and
 - (xv) a foreign company that has only subsidiary companies listed in the preceding items, which is the same type as a holding company or is similar to a holding company (including a company which is planned to become such company, and excluding a company which falls under a company listed in the preceding item).
- (2) In the preceding paragraph, the meanings of the terms listed in the following items are prescribed in each of those items:
- (i) dependent services: business specified by Cabinet Office Order as being dependent on the business of an insurance company or a company falling under any of items (ii)-2 through (xi) of the preceding paragraph;
 - (ii) finance-related services: business specified by Cabinet Office Order as being incidental or related to the insurance business, banking, securities services or trust business;
 - (iii) specialized banking-related services: business specified by Cabinet Office Order as incidental or related exclusively to banking;
 - (iv) specialized securities-related services: business specified by Cabinet Office Order as being incidental or related exclusively to the securities services;
 - (v) specialized trust-related services: business specified by Cabinet Office Order as being incidental or related exclusively to the trust business;
 - (vi) subsidiary company, etc. of banks: an insurance company's subsidiary company that is set forth in the following sub-items:
 - (a) a bank (including a long-term credit bank; hereinafter the same applies in this item) or a foreign company that engages in banking;
 - (b) a company falling under item (xiv) or (xv) of the preceding paragraph which has a company set forth in (a) as its subsidiary company; or
 - (c) any other company that is a subsidiary company of a bank that is itself a subsidiary company of the insurance company and specified by Cabinet Office Order;

- (vii) securities subsidiary company, etc.: an insurance company's subsidiary company that is set forth in the following sub-items:
 - (a) a company specializing in securities, company specializing in securities intermediation, or foreign company engaged in securities services;
 - (b) a company set forth in item (xiv) or (xv) of the preceding paragraph and which has a company that is set forth in (a) above as its subsidiary company; and
 - (c) any other company that is a subsidiary company of a company specializing in securities or a subsidiary company of a company specializing in securities intermediation which is a subsidiary company of that insurance company and is specified by Cabinet Office Order; and
- (viii) trust subsidiary company, etc.: an insurance company's subsidiary company that is set forth in the following sub-items:
 - (a) a bank that operates in the trust business under the authorization set forth in Article 1, paragraph (1) (Authorization for Trust Business) of the Act on the Provision of Trust Business by Financial Institutions (hereinafter referred to as "trust bank" in this item);
 - (b) a company specialized in trust business or a foreign company that operates trust business;
 - (c) a company set forth in item (xiv) or (xv) of the preceding paragraph and which has a company that is listed in (a) or (b) above as its subsidiary company; and
 - (d) any other company that is a subsidiary company of a trust bank or a company specialized in trust services which is a subsidiary company of that insurance company and is specified by Cabinet Office Order.
- (3) The provisions of paragraph (1) do not apply if a company other than a company eligible to be a subsidiary company became the subsidiary company of that insurance company due to the acquisition of shares or equity interests as a result of the exercise of security rights by the insurance company or its subsidiary companies, acquisition of shares or equity interests in a company listed in item (viii) of that paragraph by the insurance company or its subsidiary companies, or any other grounds specified by Cabinet Office Order; provided, however, that the insurance company must take necessary measures for making the company, which became its subsidiary company, cease to be its subsidiary company by the day on which one year has elapsed from the date on which the grounds (excluding an acquisition of shares or equity interests in a company listed in that item by the insurance company or its subsidiary companies, or any other grounds specified by Cabinet Office Order) arose.
- (4) The provisions of paragraph (1) do not apply to the case if an insurance company acquires a foreign company other than a company eligible to be a subsidiary company by an acquisition of a company listed in items (viii)

- through (xii) of that paragraph which currently holds a foreign company other than a company eligible to be a subsidiary company as its subsidiary company (limited to a foreign company in case of a company listed in that item; the same applies in paragraph (6)) or a holding company eligible for special provisions (meaning a holding company (limited to a company which holds a company eligible to be a subsidiary company as its subsidiary company) or a foreign company which is the same type as a holding company or is similar to a holding company (limited to a foreign company which has a company eligible to be a subsidiary company as its subsidiary company, and excluding a holding company); the same applies in paragraph (6)); provided, however, that the relevant insurance company must take necessary measures for making the relevant foreign company which is not a company eligible to be a subsidiary company cease to be its subsidiary company by the day on which five years has elapsed from the day when the relevant foreign company which is not a company eligible to be a subsidiary company became its subsidiary company.
- (5) When the period under the proviso to the preceding paragraph or the period extended pursuant to the provisions of this paragraph is about to expire, an insurance company may extend these periods limited to one year by obtaining an approval from the Prime Minister for continuing to have as its subsidiary company a foreign company other than a company eligible to be a subsidiary company which has become its subsidiary company.
- (6) The Prime Minister is to grant an approval under the preceding paragraph only if an insurance company falls under any of the following items:
- (i) it is found that there is a compelling reason the insurance company being unable to implement necessary measures for making the foreign company which is not a company eligible to be a subsidiary company cease to be its subsidiary company within the period under the preceding paragraph, in view of conditions of financial markets or capital markets of the state where the foreign company which is not a company eligible to be a subsidiary company and which has become its subsidiary company, or a company listed in paragraph (1), items (viii) to (xii), or a holding company eligible for special provisions which holds the company as its subsidiary company has its head office of principal office;
 - (ii) it is found that there is a compelling reason for the insurance company to continue to have as its subsidiary company the foreign company which is not a company eligible to be a subsidiary company which has become its subsidiary company, for the purpose of execution of business of a company listed in paragraph (1), items (viii) through (xii) or a holding company eligible for special provisions which is held by the insurance company as its subsidiary company.
- (7) If an insurance company seeks to have as its subsidiary company any of the

companies eligible to be a subsidiary company listed in paragraph (1), items (i) through (xii), or items (xiii)-2 through (xv) (other than a company specialized in dependent services (meaning dependent services set forth in paragraph (2), item (i); hereinafter the same applies in this paragraph and paragraph (11)) or in any business specified by Cabinet Office Order as incidental or related to the insurance business (for a company conducting dependent services, limited to one that conducts the services mainly for business operated by the insurance company); referred to as "insurance company, etc. eligible to be a subsidiary company" hereinafter in the following paragraph and paragraph (9), as well as in paragraph (4), item (i) of the following Article) (for a company set forth in paragraph (1), item (xiii)-2, if the insurance company or its subsidiary company acquires or intends to hold voting rights in a total number that exceeds the company's voting right holding threshold (meaning the voting right holding threshold prescribed in paragraph (1) of the following Article; the same applies in the following paragraph and paragraph (10)), the insurance company must obtain in advance authorization from the Prime Minister, unless it receives authorization for business acquisition, merger or company split under Article 142, Article 167, paragraph (1) or Article 173-6, paragraph (1).

- (8) The provisions of the preceding paragraph do not apply if an insurance company, etc. eligible to be a subsidiary company became the subsidiary company of an insurance company (for a company set forth in paragraph (1), item (xiii)-2, a company for which the insurance company or its subsidiary company holds voting rights in a total number that exceeds the company's voting right holding threshold; hereinafter the same applies in this paragraph) due to the acquisition of its shares or equity interests as a result of the exercise of security rights by the insurance company or its subsidiary company, or any other grounds specified by Cabinet Office Order; provided, however, that the insurance company must take necessary measures for the insurance company, etc. eligible to be a subsidiary company to cease to be its subsidiary company by the day on which one year has elapsed from the date on which the grounds arose, unless the insurance company has obtained authorization from the Prime Minister to allow the insurance company, etc. eligible to be a subsidiary company that became its subsidiary company to continue to be its subsidiary company.
- (9) The provisions of paragraph (7) apply *mutatis mutandis* to the cases if an insurance company seeks to make a company it has as its subsidiary company which is prescribed in the items of paragraph (1) into a subsidiary company that is prescribed in other items of that paragraph (limited to an insurance company, etc. eligible to be a subsidiary company).
- (10) If an insurance company comes to learn that a company eligible to be a subsidiary company (excluding a subsidiary company of the insurance company

and a company set forth in paragraph (1), item (xiii)-2) for which the insurance company or its subsidiary company holds voting rights in a total number that exceeds the company's voting right holding threshold has become a company set forth in paragraph (1), item (xiii)-2, the insurance company must take necessary measures for the company set forth in that item to cease to be a company for which the insurance company or its subsidiary company holds voting rights in a total number that exceeds the company's voting right holding threshold by the day on which one year has elapsed from the date on which the insurance company comes to know of that fact, unless the insurance company has obtained authorization from the Prime Minister to allow the insurance company or its subsidiary company to continue to hold the voting rights that exceed the company's voting right holding threshold.

- (11) In a case falling under paragraph (1), item (xii), or paragraph (7), the Prime Minister is to establish standards on whether a company is operating dependent services mainly for an insurance company, its subsidiary companies, any other similar company specified by Cabinet Office Order, or for the business conducted by an insurance company.

(Restrictions on the Acquisition of Voting Rights by an Insurance Company)

Article 107 (1) An insurance company and its subsidiary companies may not acquire or hold voting rights in a domestic company (excluding companies listed in paragraph (1), items (i) through (vii), (xii) or (xiii)-2 of the preceding Article and a company eligible for special provisions; hereinafter the same applies in the following paragraph through paragraph (6)) in a total number that exceeds the voting right holding threshold (meaning the number equal to 10 percent of all shareholders' voting rights in a domestic company; the same applies in the following paragraph through paragraph (6)).

- (2) The provisions of the preceding paragraph do not apply to the cases if an insurance company and its subsidiary companies, due to grounds specified by Cabinet Office Order such as the acquisition of shares or equity interests through exercise of security rights, comes to acquire or hold voting rights in a domestic company if the total number of the voting rights held by the insurance company and its subsidiary companies exceeds the voting right holding threshold; provided, however, that the insurance company or its subsidiary companies must not continue to hold the part of the voting rights which it came to acquire or hold in excess of the voting right holding threshold after one year from the day on which it came to acquire or hold the voting rights, unless the insurance company has in advance obtained approval for holding the portion of the voting rights from the Prime Minister.
- (3) In the case referred to in the proviso to the preceding paragraph, if the total number of voting rights acquired or held by the insurance company and its

subsidiary companies exceeds 50 percent of all shareholders' voting rights in a domestic company, the Prime Minister's approval given under that paragraph must not cover the part of the voting rights which the insurance company and its subsidiary companies came to acquire or hold in excess of 50 percent; and the approval of the Prime Minister must be given on the condition that the insurance company and its subsidiary companies promptly dispose of voting rights they came to acquire or hold in excess of the voting right holding threshold.

- (4) Notwithstanding the provisions of paragraph (1), in the case listed in any of the following items, even if the total number of voting rights which an insurance company and its subsidiary companies will hold in a domestic company on the day prescribed in the respective items exceeds the voting right holding threshold, the insurance company and its subsidiary companies may hold them after that day; provided, however, that the Prime Minister must not grant the authorization (or the license in the case of item (vi); the same applies in the following paragraph) referred to in the following items, if the total number of voting rights that the insurance company and its subsidiary companies will hold in the domestic company in the case referred to in the respective items exceeds 50 percent of all shareholders' voting rights in that domestic company:
- (i) if the insurance company has received the authorization set forth in paragraph (7) of the preceding Article and made a subsidiary insurance company, etc. that is eligible to be a subsidiary company its subsidiary company (limited to the cases specified by Cabinet Office Order): the day on which the company becomes its subsidiary company;
 - (ii) if the insurance company has received the authorization set forth in Article 142 and acquired any other person's business (limited to the cases specified by Cabinet Office Order): the day on which the acquisition is carried out;
 - (iii) if a company that has been established by a joint incorporation-type split (meaning an incorporation-type company split carried out by a corporation with another corporation) following the authorization under Article 173-6, paragraph (1) has obtained a license under Article 3, paragraph (1) and become an insurance company: the day on which it obtains the license;
 - (iv) if the insurance company has succeeded to any other entity's business through an absorption-type split following authorization set forth in Article 173-6, paragraph (1) (limited to the cases specified by Cabinet Office Order): the day on which the absorption-type split is carried out;
 - (v) if the insurance company is established by merger under the authorization set forth in Article 167, paragraph (1): the day on which the insurance company is incorporated; and
 - (vi) if the insurance company carries out a merger under the authorization set

- forth in Article 167, paragraph (1) (limited to the cases where the insurance company survives the merger): the day on which the merger is carried out.
- (5) The Prime Minister's authorization set forth in the items of the preceding paragraph must be given on the condition that, the portion of the voting rights in the domestic company that an insurance company and its subsidiary companies hold in excess of the voting right holding threshold as of the day specified in the respective items is to be disposed of in accordance with standards set by the Prime Minister by the day on which five years has elapsed from that day.
- (6) If an insurance company and its subsidiary companies come to hold a total number of voting rights in a domestic company which is in excess of the voting right holding threshold, the portion in excess of the voting right holding threshold is deemed to be acquired or held by that insurance company.
- (7) In the cases referred to in the preceding paragraphs, with respect to acquisition or holding of voting rights in a company specified by Cabinet Office Order as that exploring new business fields or as that engaged in new business activities which are found to significantly contribute to improvement of business management, a specified subsidiary company is deemed not to be a subsidiary company of the insurance company.
- (8) The term "company eligible for special provisions" in paragraph (1) means a company in a unique relationship specified by Cabinet Office Order with a company listed in item (xiii), paragraph (1) of the preceding Article (limited to a subsidiary company of an insurance company).
- (9) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights acquired or held by an insurance company or its subsidiary companies under paragraphs (1) to (7).

Article 108 Deleted

Chapter V Accounting

(Business Year)

Article 109 The business year of an insurance company is to be from 1 April to 31 March of the following year.

(Business Report)

Article 110 (1) An insurance company must prepare an interim business report and a business report, stating the status of its business and property for each business year and submit them to the Prime Minister.

(2) If an insurance company has a subsidiary company or any other company to which it is in a unique relationship as specified by Cabinet Office Order

(hereinafter referred to as "subsidiary company, etc." in this Chapter and in the following Chapter), the insurance company, for each business year, in addition to the reports set forth in the preceding paragraph, must prepare an interim business report and business report stating the status of the business and property of the insurance company and its subsidiary company, etc. in a consolidated manner and submit them to the Prime Minister.

- (3) The particulars to be entered in the reports set forth in the preceding two paragraphs, their submission dates and other necessary particulars regarding those reports are specified by Cabinet Office Order.

(Public Inspection of Explanatory Documents on Business and Property Status)

Article 111 (1) An insurance company, for each business year, must prepare explanatory documents stating the particulars specified by Cabinet Office Order as pertaining to the status of its business and property, and keep them for public inspection at its head office or principal office and branch offices or secondary offices, or any other equivalent place specified by Cabinet Office Order.

- (2) If an insurance company has a subsidiary company, etc., the insurance company, for each business year, must prepare in addition to the explanatory documents set forth in the preceding paragraph explanatory documents stating, with regard to the insurance company and its subsidiary company, etc., the particulars specified by Cabinet Office Order as pertaining to the status of the business and property of the insurance company and its subsidiary company, etc. in a consolidated manner, and keep them for public inspection at the insurance company's head office or principal office and its branch offices or secondary offices, or any other equivalent place specified by Cabinet Office Order.

- (3) The explanatory documents set forth in the preceding two paragraphs may be prepared in the form of an electronic or magnetic record.

- (4) If the explanatory documents set forth in paragraph (1) or (2) are prepared in the form of an electronic or magnetic record, the insurance company may take the measures specified by Cabinet Office Order as measures to ensure that the information recorded in the electronic or magnetic record is available to many and unspecified persons by electronic or magnetic means at its head office or principal office and its branch offices or secondary offices, or any other equivalent place specified by Cabinet Office Order. In this case, the explanatory documents set forth in paragraph (1) or (2) are deemed to be kept for public inspection pursuant to the provisions of paragraph (1) or (2).

- (5) Beyond what is provided for in the preceding paragraphs, the period for making the documents set forth in paragraph (1) or (2) available for public inspection and any other particulars that are necessary in order to apply the

provisions of the preceding paragraphs are specified by Cabinet Office Order.

- (6) An insurance company must endeavor to disclose, in addition to the particulars set forth in paragraphs (1) or (2), any information that should serve as a reference for policyholders and other customers in learning the status of the business and property of the insurance company and its subsidiary company, etc.

(Special Provisions on Valuation of Shares)

Article 112 (1) An insurance company may, if the current value of the quoted shares that it owns (excluding those shares which are accounted for under the special account set forth in Article 118, paragraph (1); hereinafter the same applies in this paragraph) exceeds the acquisition value of those shares, attach to the shares any value that exceeds their acquisition value but does not exceed their current value with the authorization of the Prime Minister, pursuant to the provisions of Cabinet Office Order.

- (2) Any profit recorded as a result of revaluation under the preceding paragraph must be set aside as a reserve specified by Cabinet Office Order.

(Amortization of Business Expenditures)

Article 113 An insurance company may credit to the assets on the balance sheet an amount pertaining to its business expenditures for the first five years following the establishment of the insurance company and any other amount specified by Cabinet Office Order. In this case, the insurance company, pursuant to the provisions of its articles of incorporation, must amortize the amount thus credited within ten years from the establishment of the insurance company.

(Policy Dividend)

Article 114 (1) Any policy dividend (meaning the distribution to policyholders, in whole or in part, of those profits obtained by investing insurance premiums and the money received as insurance premiums which have neither been allocated to any payments such as insurance proceeds or refunds, nor to any business or other expenditures, where such distribution is stipulated in the insurance contracts; the same applies hereinafter) distributed by a stock insurance company must meet the standards specified by Cabinet Office Order as standards for fair and equitable distribution.

- (2) Cabinet Office Order is to specify how to fund the reserves for policy dividends as well as any other necessary particular pertaining to policyholder dividends.

(Price Fluctuation Reserve)

Article 115 (1) An insurance company, with regard to the assets specified by Cabinet Office Order as susceptible to losses due to price fluctuation, such as shares (referred to as "shares, etc." in the following paragraph), within its portfolio, must set aside as a price fluctuation reserves the amount calculated pursuant to the provisions of Cabinet Office Order; provided, however, that this does not apply to any amount exempted from these funding standards by virtue of an authorization granted by the Prime Minister to relieve the insurance company of these standards in whole or in part.

(2) The reserves set forth in the preceding paragraph must not be reduced unless it is allocated to compensation for any excess amount of the losses due to buying and selling, etc. of shares, etc. (meaning losses due to buying and selling, revaluation and fluctuation in foreign exchange rates, and losses on redemption) over the profits due to buying and selling, etc. of shares, etc. (meaning profits due to buying and selling, revaluation and fluctuation in foreign exchange rates (excluding any profit credited as a result of revaluation under Article 112, paragraph (1)), and gains on redemption); provided, however, that this does not apply to the cases in which the approval by the Prime Minister has been obtained.

(Policy Reserve)

Article 116 (1) An insurance company, for each accounting period, must set aside a certain amount of money as policy reserves to prepare for future performance of obligations under its insurance contracts.

(2) The Prime Minister may set necessary standards for the method of funding the policy reserves pertaining to the long-term insurance contracts specified by Cabinet Office Order, as well as for the levels of the coefficients that are to constitute the basis for calculating the amount of the policy reserve, such as expected mortality.

(3) Beyond what is provided for in the preceding two paragraphs, the method of funding the policy reserves pertaining to any reinsured insurance contract and any other particular necessary to the funding of the policy reserves are specified by Cabinet Office Order.

(Reserve for Outstanding Claims)

Article 117 (1) For each business year, an insurance company must set aside a certain amount of money as reserves for outstanding claims, where it has any payments due, such as insurance proceeds or refunds (hereinafter referred to as "insurance proceeds, etc." in this paragraph), under its insurance contracts, or any other equivalent payment specified by Cabinet Office Order that has not been recorded as an expenditure for insurance proceeds, etc.

(2) Cabinet Office Order is to specify the necessary particulars of the funding of

the reserves for outstanding claims set forth in the preceding paragraph.

(Statutory Lien for Policyholders of Life Insurance Companies)

Article 117-2 (1) With regard to a life insurance company, the policyholders (excluding the holders of reinsurance policies) and the persons who have any of the following rights (excluding the rights pertaining to reinsurance) have a statutory lien against the whole assets of the life insurance company for the total amount of money paid for the insureds and for the amount of the relevant right, respectively:

- (i) the right to insurance claims;
- (ii) the right to demand compensation for losses (other than the right listed in the preceding item); or
- (iii) the right to demand a payment, such as refund, dividend of surplus or policy dividend (other than insurance proceeds).

(2) The statutory lien set forth in the preceding paragraph is ranked next in priority to the statutory lien set forth in Article 306, item (i) of the Civil Code (Statutory Lien for Expenses for Common Interest).

(Special Accounts)

Article 118 (1) An insurance company must, with regard to performance-linked insurance contracts and any other insurance contract specified by Cabinet Office Order, create a special account to separate the property managed under those insurance contracts from other properties (hereinafter referred to as "special account" in this Article).

(2) Unless provided otherwise in Cabinet Office Order, an insurance company must not perform any of the following acts:

- (i) transferring any property to be accounted for under the special account to a non-special account or to another special account; or
- (ii) transferring to the special account any property other than a property to be accounted for under the special account.

(3) Cabinet Office Order is to specify how to manage the property belonging to the special account and any other necessary particulars for the special account.

Article 119 Deleted

(Appointment of Responsible Actuary)

Article 120 (1) The board of directors of an insurance company (limited to a life insurance company or a non-life insurance company that meet the requirements specified by Cabinet Office Order; the same applies in paragraph (3) and Article 122) must appoint a responsible actuary to take part in the particulars specified by Cabinet Office Order as actuarial particulars involving,

among others, the method of calculating insurance premiums.

- (2) The responsible actuary must be a person with necessary knowledge and experience with regard to actuarial science who meets the requirements specified by Cabinet Office Order.
- (3) An insurance company, if it has appointed a responsible actuary or if its responsible actuary has left office, must notify the Prime Minister of this without delay, pursuant to the provisions of Cabinet Office Order.

(Responsible Actuary's Duties)

- Article 121 (1) The responsible actuary, for each accounting period, must check the following particulars pursuant to the provisions of Cabinet Office Order and submit a written opinion stating their findings to the board of directors:
- (i) whether the policy reserves pertaining to the insurance contracts specified by Cabinet Office Order has been funded based on sound actuarial practice;
 - (ii) whether policy dividends or dividends of surplus to members have been distributed in a fair and equitable manner; and
 - (iii) any other particular specified by Cabinet Office Order.
- (2) The responsible actuary must, without delay after submitting the written opinion set forth in the preceding paragraph to the board of directors, submit a copy of the written opinion to the Prime Minister.
 - (3) The Prime Minister may request the responsible actuary to provide explanations about the copy of their written opinion set forth in the preceding paragraph and to request an opinion on any other particular within the scope of their duties.
 - (4) Beyond what is provided for in the preceding three paragraphs, any necessary particulars of a written opinion as set forth in paragraph (1) is specified by Cabinet Office Order.

(Dismissal of Responsible Actuary)

Article 122 The Prime Minister may order an insurance company to dismiss its responsible actuary, if the actuary has violated any provisions of this Act or any dispositions of the Prime Minister based on this Act.

(Designation)

- Article 122-2 (1) The Prime Minister may designate a general incorporated association that the Prime Minister considers to conform to the following standards regarding the business set forth in the following paragraph as a person to conduct such business, upon its application:
- (i) the general incorporated association is found to have sufficient accounting and technical expertise to ensure proper performance of its business; and
 - (ii) beyond the standard set forth in the preceding item, the general

- incorporated association has the ability to implement its business in a fair and appropriate manner.
- (2) An incorporated association designated pursuant to the provisions of the preceding paragraph (hereinafter referred to as "designated association" in this Article) is to conduct the following business:
- (i) developing and training persons with expert knowledge and skills on actuarial science;
 - (ii) conducting necessary research and study, preparing statistics, collecting data, or providing information regarding actuarial science;
 - (iii) any business involving the levels of coefficients that should constitute the basis for calculating the amount of the policy reserves set forth in Article 116, paragraph (2) or pertaining to any other actuarial particular entrusted by the Prime Minister; or
 - (iv) business incidental to any of the business set forth in the preceding three items.
- (3) If the Prime Minister finds that an improvement is required in the operation of business set forth in the preceding paragraph, the Prime Minister may order the designated association to take necessary measures for the improvement.
- (4) If the Prime Minister finds it necessary for ensuring proper operation of business specified in paragraph (2), the Prime Minister may request the designated association to submit necessary report on the services under that paragraph or its property, or have relevant officials enter the designated association's offices, ask questions about the business provided for in that paragraph or its property, or inspect its books, documents, and any other articles.
- (5) The Prime Minister may rescind the designation under paragraph (1) (referred to as "designation" in item (ii) and the following paragraph), if the designated association falls under any of the following items:
- (i) it is found to be unable to implement its business under paragraph (2) in a fair and appropriate manner;
 - (ii) it has committed a wrongful act in relation to the designation; or
 - (iii) it has violated an order under paragraph (3).
- (6) Beyond what is provided for in the preceding paragraphs, the procedures for designation and any other necessary particulars involving designated associations are specified by Cabinet Office Order.

Chapter VI Supervision

(Change of Particulars Prescribed in Statement of Business Procedures)

Article 123 (1) An insurance company must obtain authorization from the Prime Minister if it seeks to change the particulars prescribed in the documents

listed in Article 4, paragraph (2), items (ii) through (iv) (excluding the particulars specified by Cabinet Office Order as being not likely to impair the protection of policyholders, etc.).

- (2) If an insurance company seeks to change the particulars specified by Cabinet Office Order set forth in the preceding paragraph in the case where it seeks to change the particulars prescribed in the documents prescribed in the same paragraph, the insurance company must notify the Prime Minister of this in advance.

(Authorization of Change of Particulars Prescribed in the Statement of Business Procedures)

Article 124 When an application has been filed for the authorization referred to in paragraph (1) of the preceding Article, the Prime Minister must examine whether the particulars set forth in each of the following items conform to the standards prescribed in each item:

- (i) particulars given in the documents set forth in Article 4, paragraph (2), items (ii) and (iii): the standards set forth in Article 5, paragraph (1), item (iii), (a) through (e); and
- (ii) particulars given in the documents set forth in Article 4, paragraph (2), item (iv): the standards set forth in Article 5, paragraph (1), item (iv), (a) through (c).

(Notification of Change of Particulars Prescribed in the Statement of Business Procedures)

Article 125 (1) In the case if a notification under the provisions of Article 123, paragraph (2) is made, it is deemed that the change pertaining to the relevant notification was made on the day on which 90 days have elapsed since the day following the date on which the Prime Minister received the relevant notification.

- (2) If the Prime Minister finds that the particulars of a notification under the provisions of Article 123, paragraph (2) conform to the standards listed in Article 5, paragraph (1), item (iii), (a) through (e) of or item (iv), (a) through (c), the Prime Minister may shorten the period of time prescribed in the preceding paragraph to a period of time found to be reasonable. In this case, the Prime Minister must give notice of the shortened period of time to the person that made the notification, without delay.
- (3) If there are legitimate grounds requiring a reasonable period of time for examining whether the particulars of a notification under the provisions of Article 123, paragraph (2) conform to the standards listed in Article 5, paragraph (1), item (iii), (a) through (e) or item (iv), (a) through (c) and if the Prime Minister finds that the examination will not be finished within the

period of time prescribed in paragraph (1), the Prime Minister may extend the period to a period found to be reasonable. In this case, the Prime Minister must give notice of the extended period and the reasons for the extension to the person that made the notification, without delay.

- (4) If the Prime Minister finds that the particulars of the notification under the provisions of Article 123, paragraph (2) do not conform to the standards set forth in Article 5, paragraph (1), item (iii), (a) through (e) or item (iv), (a) through (c), the Prime Minister may order the person that made the notification to change the particulars of the relevant notification for a limited period or revoke the notification, limited to within the period until the day on which 90 days have elapsed since the day following the date on which the notification was received (the extended period of time in the case where the period of time is extended pursuant to the provisions of the preceding paragraph).

(Authorization of Amendments to the Articles of Incorporation)

Article 126 A resolution of the shareholders meeting or the general meeting or the member representatives meeting concerning amendments in the articles of incorporation involving the following particulars of an insurance company is not to come into effect without obtaining the authorization of the Prime Minister:

- (i) the trade name or name;
- (ii) the particulars of the redemption of funds;
- (iii) the grounds for the withdrawal of members;
- (iv) the set number of representative members and the particulars of how they are selected;
- (v) the particulars of the contract set forth in Article 63, paragraph (1);
- (vi) the particulars of the policy on policyholders' dividends in a converted stock company set forth in Article 86, paragraph (5);
- (vii) the particulars of the disposition of residual assets set forth in Article 182;
- (viii) the particulars of the policy set forth in Article 240-5, paragraph (5).

(Particulars Requiring Notification)

Article 127 (1) An insurance company must, if it falls under any of the following items, notify the Prime Minister of this pursuant to the provisions of Cabinet Office Order:

- (i) if it has commenced insurance business;
- (ii) if it seeks to have a company falling under the category specified in Article 106, paragraph (1), item (xii) or (xiii) (excluding one for which paragraph (7) provides that in order to have such a company as its subsidiary company, an insurance company is to obtain authorization) become its subsidiary company

- (excluding the case where it seeks to acquire a business or to effect a merger or company split upon obtaining authorization pursuant to the provisions of Article 142, Article 167, paragraph (1) or Article 173-6, paragraph (1));
- (iii) if its subsidiary company ceases to be its subsidiary company (other than due to a business transfer or company split implemented with the authorization under the provisions of Article 142 or Article 173-6, paragraph (1)), or if a subsidiary company that falls under the category of an insurance company, etc. that is eligible to be a subsidiary company prescribed in Article 106, paragraph (7) becomes a subsidiary company that does not fall under the category of an insurance company, etc. that is eligible to be a subsidiary company;
 - (iv) if it seeks to increase the amount of stated capital or the total amount of funds;
 - (v) if it amends the articles of incorporation with regard to particulars other than those provided for otherwise;
 - (vi) if it seeks to establish a branch office or secondary office, or representative office in a foreign state;
 - (vii) if its voting rights are acquired or come to be held by a single shareholder, in excess of 5 percent of all shareholders' voting rights; or
 - (viii) if it falls under any of the other cases specified by Cabinet Office Order (Cabinet Office Order or Order of the Ministry of Finance for those pertaining to the financial bankruptcy processing system and financial crisis management).
- (2) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights in an insurance company to be acquired or held by one shareholder prescribed in the preceding paragraph, item (vii).

(Submission of Reports or Materials)

- Article 128 (1) If the Prime Minister finds it necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of an insurance company, the Prime Minister may require the insurance company to submit reports or materials concerning the status of its business or property.
- (2) If and to the extent that the Prime Minister finds it particularly necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of an insurance company, the Prime Minister may require the relevant insurance company's subsidiary corporation, etc. (meaning a subsidiary company or any other corporation specified by Cabinet Office Order as one whose operations are controlled by an insurance company; the same applies in the following paragraph and paragraphs (2) and (3) of the following Article) or a person the insurance company has entrusted with its business

(including persons entrusted from the relevant person (including entrustment at two or more degrees of separation from the original entrustment); the same applies in the following paragraph, and paragraphs (2) and (3) of that Article), to submit reports or materials that should serve as a reference to the status of the business or property of the insurance company.

- (3) An insurance company's subsidiary corporation, etc. or a person that an insurance company has entrusted with its business may refuse to submit reports or materials required under the provisions of the preceding paragraph if there are legitimate grounds for doing so.

(On-Site Inspection)

Article 129 (1) If the Prime Minister finds it necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of an insurance company, the Prime Minister may have relevant officials enter the facilities of the insurance company, such as a business or other offices, ask questions about the status of its business or property, or inspect books, documents, and any other articles.

- (2) If and to the extent that the Prime Minister finds it particularly necessary in entering a site, asking questions, or conducting an inspection referred to in the preceding paragraph, the Prime Minister may have relevant officials enter facilities of the insurance company's subsidiary corporation, etc. or of a person the insurance company has entrusted with its business, have the officials question the insurance company or ask questions about any particulars that are necessary for their inspection, or have the officials inspect books, documents, and any other articles.

- (3) An insurance company's subsidiary corporation, etc. or a person that an insurance company has entrusted with its business may refuse the questioning and inspection under the provisions of the preceding paragraph if there are legitimate grounds for doing so.

(Standard of Soundness)

Article 130 The Prime Minister may use the following amounts with respect to an insurance company or pertaining to an insurance company and its subsidiary companies, etc. to establish whether or not the insurance company has an appropriate level of solvency in terms of its ability to pay for insurance proceeds, etc. as the standard by which the soundness of its business management is determined:

- (i) total amount of the items specified by Cabinet Office Order such as the stated capital, funds and reserves; and
(ii) amount calculated pursuant to the provisions of Cabinet Office Order as the amount for addressing the risks not normally predictable that may occur due

to any reasons pertaining to the insurance being underwritten, such as insured events.

(Order for Change of the Particulars Prescribed in the Statement of Business Procedures)

Article 131 If and to the extent that the Prime Minister finds it necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of an insurance company in light of the status of the business or property of the insurance company or a change in the circumstances, the Prime Minister may order the insurance company to change the particulars prescribed in the documents listed in Article 4, paragraph (2), items (ii) to (iv).

(Suspension of Business)

Article 132 (1) If the Prime Minister finds it necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of an insurance company in view of the status of the business or property of the insurance company or the status of the assets of the insurance company and its subsidiary company, etc., the Prime Minister may request the insurance company to submit an improvement plan for ensuring soundness in its management by indicating the particulars with regard to which measures are to be taken as well as the deadline or order changes to the submitted improvement plan, or, to the extent that the Prime Minister finds necessary, the Prime Minister may order the full or partial suspension of business of the insurance company by setting a deadline, or order the deposit of property of the insurance company or other necessary measures for supervision.

(2) An order under the provisions of the preceding paragraph (including the request for submission of an improvement plan) that is issued when it is found to be necessary due to an insurance company's level of solvency in terms of its ability to pay for insurance proceeds, etc. must be an order specified by Cabinet Office Order or Order of the Ministry of Finance in accordance with the insurance company's level of solvency in terms of its ability to pay insurance proceeds, etc.

(Rescission of License)

Article 133 The Prime Minister may, if an insurance company has come to fall under any of the following items, order the full or partial suspension of the business of the insurance company or the dismissal of the director, executive officer, accounting advisor, company auditor or accounting auditors, or rescind the license set forth in Article 3, paragraph (1):

(i) if it is in violation of laws and regulations, disposition of the Prime Minister

pursuant to laws and regulations, or particularly material particulars among those prescribed in the documents listed in the items of Article 4, paragraph (2);

- (ii) if it is in violation of the conditions attached to the license; and
- (iii) if it performs an act that harms public interest.

Article 134 If the Prime Minister finds that the status of an insurance company's assets is significantly deteriorating and that it is not appropriate for the insurance company to continue the insurance business from the viewpoint of protecting policyholders, etc., the Prime Minister may rescind the license of the insurance company set forth in Article 3, paragraph (1).

Chapter VII Transfer of Insurance Contracts, Transfer or Acquisition of Business, and Entrustment of Business and Property Administration
Section 1 Transfer of Insurance Contracts

(Transfers of Insurance Contracts)

Article 135 (1) An insurance company may, pursuant to the provisions of this Act, transfer insurance contracts to another insurance company (including a foreign insurance company, etc.; hereinafter the same applies in this paragraph) under a contract with the other insurance company (hereinafter referred to as "transferee company" in this Section).

- (2) The insurance contracts under the preceding paragraph do not include insurance contracts for which an insured event had occurred by the time of public notice pursuant to the provisions of Article 137, paragraph (1) (limited to those contracts which are to be terminated with the payment of the insurance proceeds pertaining to the insured event) or other insurance contracts specified by Cabinet Order.
- (3) The contract under paragraph (1) must provide for the particulars of the transfer of the insurance company's property which accompanies the transfer of insurance contracts. In this case, the insurance company which seeks to transfer insurance contracts (hereinafter referred to as "transferor company" in this Section) must reserve the property deemed necessary to protect the interest of the transferor company's creditors other than the policyholders to which pertains the insurance contracts (referred to as "transferred contract" in Article 138, paragraph (1)) to be transferred under the contract (hereinafter referred to as "affected policyholders" in this Section).
- (4) In the contract under paragraph (1), the transferor company may stipulate minor changes to the clauses of the insurance contracts to be transferred under the contract, so long as such changes are not disadvantageous to the policyholders.

(Resolution on Transfer of Insurance Contracts)

Article 136 (1) A transfer of insurance contracts under paragraph (1) of the preceding Article requires a resolution at a shareholders' meeting or a general meeting (or a member representatives meeting, if the company has such a meeting) (hereinafter referred to as "shareholders meeting, etc." in this Chapter, Chapter VIII, and Chapter X) in both the transferor company and the transferee company (other than a foreign insurance company, etc.).

(2) The resolution set forth in the preceding paragraph must be a resolution under Article 309, paragraph (2) (Resolution of Shareholders Meetings) of the Companies Act or under Article 62, paragraph (2).

(3) In adopting a resolution under paragraph (1), the transferor company and the transferee company must indicate the outline of the contract set forth in paragraph (1) of the preceding Article in the notice to be given under Article 299, paragraph (1) (Notice of Calling of Shareholders' Meetings) of the Companies Act (including as applied mutatis mutandis pursuant to Article 41, paragraph (1) and Article 49, paragraph (1)).

(Keeping of Documents Pertaining to the Transfer of Insurance Contracts)

Article 136-2 (1) The directors (or, in a company with a nominating committee, etc., executive officers) of the transferor company must keep at each of its business offices or offices, the documents specified by Cabinet Office Order, such as the written contract for the contract under Article 135, paragraph (1), for a period of time from two weeks before the date of the shareholders meeting, etc. set forth in paragraph (1) of the preceding Article to the end of the period for raising an objection given public notice pursuant to the provisions of paragraph (1) of the following Article.

(2) A shareholder or a policyholder of the transferor company may, within the company's operating hours or business hours, make a request to inspect the documents set forth in the preceding paragraph, or may request to be issued a certified copy or extract of those documents in exchange for the fees determined by the transferor company.

(Public Notice and Objection Regarding Transfer of Insurance Contracts)

Article 137 (1) The transferor company must, within two weeks from the date of the resolution set forth in Article 136, paragraph (1), give public notice of the outline of the contract under Article 135, paragraph (1), the balance sheets of the transferor company and the transferee company (for a foreign insurance company, etc., the balance sheet for its insurance business in Japan), as well as the notice to the effect that an affected policyholder who has an objection is to raise an objection within a certain period, and other particulars specified by

Cabinet Office Order, and must notify affected policyholders of these matters; provided, however, that the notice is not required in the cases specified by Cabinet Office Order as the cases in which the omission of the notice poses no risk of impairing the protection of affected policyholders.

- (2) The period under the preceding paragraph may not be less than one month.
- (3) A transfer of insurance contracts must not be carried out if the number of the affected policyholders who have raised their objections within the period for objection set forth in paragraph (1) exceeds one tenth (one fifth, in case of transfer of insurance contracts pertaining to all insurance contracts) of all affected policyholders, and the amount specified by Cabinet Office Order as the credits belonging to the insurance contracts of the affected policyholders who have thus stated their objections (excluding any insurance claim, etc. (meaning the insurance claims, etc. set forth in Article 17, paragraph (5)) that had occurred with regard to the insurance contracts by the time of giving the public notice under paragraph (1)) exceeds one tenth (one fifth, in case of transfer of insurance contracts pertaining to all insurance contracts) of the amount prescribed as the credits belonging to all affected policyholders.
- (4) If the number of the affected policyholders who have raised their objections within the period for objection set forth in paragraph (1) or the amount of credits specified by Cabinet Office Order set forth in the preceding paragraph for those policyholders does not exceed the proportion specified in that paragraph, all of the affected policyholders is deemed to have approved the transfer of insurance contracts.
- (5) In the case if a transferor company (excluding a company which seeks to make a transfer of all insurance contracts) obtains an authorization under Article 139, paragraph (1), and if any affected policyholder has raised an objection under paragraph (1) and manifested their intention to cancel the contract if the transfer of the contract takes place, the transferor company must refund to the affected policyholder the amount of money reserved for the insured, any unearned premium (meaning the insurance premium paid for that part of the period of insurance stipulated in an insurance contract which had not lapsed by the time at which the insurance contract was canceled) and any other amount of money specified by Cabinet Office Order.

(Contracts in Course of a Procedure for Transfer of Insurance Contracts)

Article 138 (1) When a transferor company concludes a transferred contract after the adoption of the resolution under Article 136, paragraph (1), the transferor company must inform the person who concludes the transferred contract of the following matters and obtain their approval on becoming a policyholder of the transferee company in case of transfer of the transferred contract, before the time when the implementation or renunciation of transfer of insurance

contract is decided:

- (i) an outline of the contract under Article 135, paragraph (1);
 - (ii) balance sheets of transferor company and transferee company (in the case of a foreign insurance company, etc., a balance sheet for insurance business in Japan); and
 - (iii) beyond what is provided for in the preceding two items, the particulars specified by Cabinet Office Order.
- (2) A person who has given an approval under the preceding paragraph is not deemed to be an affected policyholder for the purpose of applying the provisions of the preceding Article.

(Authorization of Transfer of Insurance Contracts)

Article 139 (1) A transfer of insurance contracts does not become effective without the authorization of the Prime Minister.

- (2) When an application has been filed for the authorization set forth in the preceding paragraph, the Prime Minister must examine whether it conforms to the following standards:
- (i) the transfer of insurance contracts is appropriate in view of the protection of policyholders, etc.;
 - (ii) it is certain that the transferee company will perform its business in an appropriate, fair, and efficient manner following the transfer of insurance contracts; and
 - (iii) the transfer poses no risk of unduly harming the interest of the creditors of the transferor company other than the affected policyholders.

(Public Notice of Transfer of Insurance Contracts)

Article 140 (1) The transferor company, following the transfer of insurance contracts, must give public notice without delay, the fact that a transfer of insurance contracts has been carried out and other particulars specified by Cabinet Office Order. The same applies when the company has renounced the transfer of insurance contracts.

- (2) If the transferee company, has received any transfer of insurance contracts, it must notify the policyholders affected by the transfer of insurance contracts of the fact (or, if any minor change to the transferred insurance contracts under Article 135, paragraph (4) is stipulated in the contract set forth in paragraph (1) of the same Article, of the fact that it has received a transfer of insurance contracts and the content of the minor change) within three months from the transfer; provided, however, that this does not apply to the case specified by Cabinet Office Order as posing no risk to the protection of policyholder whose insurance contract was transferred.
- (3) If the transferor company has outstanding loans or other claims against

policyholders, and the claims are to be assigned to the transferee company under the contract on the transfer of insurance contracts set forth in Article 135, paragraph (1), a notice in the form of an instrument carrying a certified date under Article 467 (Requirement for Assertion of Assignment of Claims Against Third Parties) of the Civil Code is deemed to have been given to the policyholders if a public notice under the first sentence of paragraph (1) has been given, in accordance with the means of public notice specified by the company, by way of publication in a daily newspaper that publishes the news on current events. In this case, the date of the public notice is deemed to be the fixed date.

(Membership through Transfer of Insurance Contracts)

Article 141 If insurance contracts are transferred to a mutual company, the policyholders affected by the transfer become members of the mutual company; provided, however, that this does not apply to the cases where the articles of incorporation of the transferee company do not grant membership to the policyholders with the same class of insurance contracts as those covered by the transfer agreement.

Section 2 Transfer or Acquisition of Business

(Authorization of Transfer or Acquisition of Business)

Article 142 Unless otherwise specified by Cabinet Office Order, any transfer or acquisition of business in which insurance companies constitute all or part of the parties is not to become effective without the authorization of the Prime Minister.

(Special Provisions on Insurance Companies Engaged in Insurance Proceeds Trust Business)

Article 143 (1) If a mutual company engaged in insurance proceeds trust business has adopted a resolution on the transfer of all insurance contracts, and the general meeting (or the member representatives meeting, if the company has such a meeting) or the board of directors has adopted a resolution on the transfer of business including insurance proceeds trust business, the mutual company, within two weeks from the date of the latter resolution, must give public notice to the effect that any beneficiary of a monetary trust (hereinafter referred to as "beneficiary" in this Article) who is opposed to the outline of the resolution and the transfer of business must raise their objections within a certain period of time.

(2) The period under the preceding paragraph may not be less than one month.

(3) If no beneficiaries have stated their objections during the period set forth in

paragraph (1), the beneficiaries are deemed to have approved the transfer of business.

Section 3 Entrustment of Business and Property Administration

(Entrustment of Business and Property Administration)

Article 144 (1) An insurance company may, pursuant to the provisions of this Act, entrust another insurance company (including a foreign insurance company, etc. (unless otherwise specified by Cabinet Office Order); hereinafter the same applies in this paragraph) with the administration of its business and property under a contract with the other insurance company (hereinafter referred to as "entrusted company" in this Section).

(2) Any entrustment of the administration of business set forth in the preceding paragraph requires a resolution of the shareholders' meeting, etc. in both the insurance company entrusting the administration of business (hereinafter referred to as "entrusting company" in this Section) and the entrusted company (other than a foreign insurance company, etc.).

(3) The resolution set forth in the preceding paragraph must be a resolution under Article 309, paragraph (2) (Resolution of Shareholders Meetings) of the Companies Act or under Article 62, paragraph (2) above.

(4) The provisions of Article 136, paragraph (3) apply mutatis mutandis to the adoption of a resolution under paragraph (2).

(Authorization of Entrustment of Business and Property Administration)

Article 145 (1) An entrustment of business and property administration under paragraph (1) of the preceding Article does not become effective without the authorization of the Prime Minister.

(2) When an application has been filed for the authorization set forth in the preceding paragraph, the Prime Minister must examine whether it conforms to the following standards:

- (i) the entrustment of administration is necessary and appropriate in view of the protection of policyholders, etc.; and
- (ii) it is certain that the entrusted company will perform business to which the entrustment of administration pertains in an appropriate, fair, and efficient manner.

(Public Notice and Registration)

Article 146 (1) The entrusting company, without delay following the authorization set forth in paragraph (1) of the preceding Article, must give public notice of the outline of the contract under Article 144, paragraph (1) (hereinafter referred to as "administration entrustment contract" in this

Section) and register the entrustment of the administration business, and the entrusted company's trade name, name and its head office or principal office, or its principal branch in Japan (meaning the principal branch in Japan set forth in Article 187, paragraph (1), item (iv)).

- (2) The registration set forth in the preceding paragraph must be made at the locality of the entrusted company's head office or principal office.
- (3) The following documents must be attached to a written application for the registration set forth in paragraph (1), in addition to the documents set forth in Article 18 and Article 19 (Documents to be Attached to Written Application) and Article 46 (General Provisions on Attached Documents) of the Commercial Registration Act (including as applied mutatis mutandis pursuant to Article 67):
 - (i) a copy of the administration entrustment contract; and
 - (ii) the minutes of the shareholders' meeting, etc. of the entrusted company (other than a foreign insurance company, etc.).

(Internal Relationship)

Article 147 Unless otherwise provided for by this Act, the relationship between the entrusting company and the entrusted company is governed by the provisions on mandate.

(External Relationship)

- Article 148 (1) The entrusted company, in taking any action on behalf of the entrusting company, such as the conclusion of an insurance contract, must indicate that it does so on behalf of the entrusting company.
- (2) An action taken without the indication set forth in the preceding paragraph is deemed to have been taken for the entrusted company's own account.
 - (3) The provisions of Article 11, paragraphs (1) and (3) (Manager's Authority of Representation) of the Companies Act apply mutatis mutandis to an entrusted company. In this case, the terms "a company" and "business" in paragraph (1) of the same Article are deemed to be replaced with "the entrusting company set forth in Article 144, paragraph (2) of the Insurance Business Act" and "business and properties", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.
 - (4) The provisions of Article 78 (Liability for Damages Pertaining to the Actions of the Representative) of the Act on General Incorporated Associations and General Incorporated Foundations (Act No. 48 of 2006) apply mutatis mutandis to an entrusting company. In this case, the phrase "representative director or any other representative" in that Article is deemed to be replaced with "entrusted company set forth in Article 144, paragraph (1) of the Insurance Business Act".

(Amendment or Cancellation of Administration Entrustment Contracts)

- Article 149 (1) An amendment to an administration entrustment contract or cancellation of an administration entrustment contract requires a resolution of the shareholders meeting, etc. of both the entrusting company and the entrusted company (other than a foreign insurance company, etc.).
- (2) The amendment or cancellation set forth in the preceding paragraph does not become effective without the authorization of the Prime Minister.
- (3) The provisions of Article 144, paragraphs (3) and (4) apply mutatis mutandis to the adoption of a resolution under paragraph (1).

(Public Notice of Amendment or Termination of Administration Entrustment Contract)

- Article 150 (1) If an entrusting company has obtained authorization under paragraph (2) of the preceding Article, it must give public notice of this without delay. The same applies if an administration entrustment contract has been terminated due to any cause other than the cancellation set forth in paragraph (1) of the same Article.
- (2) The provisions of Article 146, paragraph (3) apply mutatis mutandis to the registration of any amendment to an administration entrustment contract or cancellation of an administration entrustment contract. In this case, the term "following documents" in that paragraph is deemed to be replaced with "following documents (or, in the case of termination due to any other cause than cancellation, the document listed in item (i) and a document certifying the occurrence of the grounds for termination)"; and the term "administration entrustment contract" in Article 146, paragraph (3), item (i) is deemed to be replaced with "administration entrustment contract (or, in the case of any amendment, administration entrustment contract thus amended)".

Article 151 Deleted

Chapter VIII Dissolution, Mergers, Company Splits, and Liquidation
Section 1 Dissolution

(Causes of Dissolution)

- Article 152 (1) For the purpose of applying the provisions of Article 471 (Grounds for Dissolution) of the Companies Act to stock companies that conduct insurance business, the term "below" in that Article is deemed to be replaced with "in items (iii) through (vi)".
- (2) The provisions of Article 471 of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of the preceding

paragraph apply mutatis mutandis to a mutual company. In this case, the term "a shareholders meeting" in item (iii) of that Article is deemed to be replaced with "a general meeting of members (or a member representatives meeting, if the company has such a meeting)"; any other necessary technical replacement of terms is specified by Cabinet Order.

- (3) An insurance company, etc. is to dissolve due to the following grounds (or, for a stock company that conducts insurance business, the grounds listed in item (ii)), in addition to the grounds listed in Article 471, items (iii) through (vi) of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of paragraph (1) (including as applied mutatis mutandis pursuant to the preceding paragraph):
- (i) transfer of all insurance contracts; or
 - (ii) rescission of a license under Article 3, paragraph (1) or revocation of a registration under Article 272, paragraph (1).

(Authorization of Dissolution)

Article 153 (1) The following particulars do not take effect without the authorization of the Prime Minister:

- (i) a resolution of the shareholders meeting, etc. that approves the dissolution of an insurance company, etc.;
 - (ii) a resolution of the shareholders meeting that approves discontinuation of insurance business; and
 - (iii) a merger in which the parties solely consist of stock companies or include a stock company or stock companies conducting insurance business (excluding a merger under Article 167, paragraph (1); the same applies in the following paragraph).
- (2) When an application has been filed for the authorization set forth in the preceding Article, the Prime Minister must examine whether the application conforms to the following standards:
- (i) if the application for authorization is from an insurance company, that the dissolution or discontinuation of insurance business relating to that resolution, or the merger, is compelling in view of the status of business and property of the insurance company; or
 - (ii) that the dissolution or discontinuation of insurance business envisaged by the resolution, or that the planned merger, poses no risk to the protection of policyholders, etc.
- (3) The Prime Minister is not to grant the authorization referred to in paragraph (1), if the insurance company, etc. that has submitted the application under paragraph (1) (limited to a stock company or a mutual company whose articles of incorporation include the provisions set forth in Article 63, paragraph (1)) is the insurer under any existing insurance contracts (excluding the insurance

contracts specified by Cabinet Order, such as those for which an insured event had occurred by the date of the application (limited to those contracts which are to be terminated with the payment of the insurance proceeds pertaining to the insured event)).

(Public Notice of Dissolution)

Article 154 Upon obtaining the authorization set forth in paragraph (1) of the preceding Article, an insurance company, etc., without delay, must give public notice of that fact and details of the particulars for which the authorization is granted pursuant to the provisions of Cabinet Office Order.

(Registration of Dissolution Due to Transfer of Insurance Contracts)

Article 155 The following documents must be attached to a written application for registration of dissolution due to the grounds listed in Article 152, paragraph (3), item (i), in addition to the documents set forth in Articles 18, 19, and 46 of the Commercial Registration Act as applied mutatis mutandis pursuant to Article 67, and Article 71, paragraph (3) of that Act as applied mutatis mutandis pursuant to Article 158:

- (i) the minutes of the shareholders meeting, etc. of the transferee company (other than a foreign insurance company, etc.) set forth in Article 135, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-29);
- (ii) a document certifying that a public notice has been given under Article 137, paragraph (1) (including as applied following the deemed replacement of terms pursuant to the provisions of Article 251, paragraphs (2) and (3) and as applied mutatis mutandis pursuant to Article 272-29; the same applies in the following item);
- (iii) a document certifying that the number of the affected policyholders set forth in Article 137, paragraph (1) who have raised their objections within the period for objection set forth in that paragraph, or the amount of credits specified by Cabinet Office Order set forth in paragraph (3) of that Article (including as applied following the deemed replacement of terms pursuant to the provisions of Article 251, paragraphs (2) and (3) and as applied mutatis mutandis pursuant to Article 272-29; hereinafter the same applies in this item) as belonging to the affected policyholders has not exceeded the proportion set forth in Article 137, paragraph (3); and
- (iv) a document certifying any public notice given under Article 250, paragraph (4).

(Procedures of Dissolution for Mutual Companies)

Article 156 In order to resolve the dissolution of a mutual company, it must do

so by a resolution under Article 62, paragraph (2).

(Keeping of Documents Related to Dissolution)

Article 156-2 (1) A mutual company, for the period of time from two weeks before the date of the general meeting (or the member representatives meeting, if the company has such a meeting) related to the resolution on its dissolution to the date of the resolution (or, if the resolution is adopted by the member representatives meeting, the day that is one month after the date public notice is given pursuant to the provisions of paragraph (1) of the following Article), must keep at each of its offices the documents or electronic or magnetic records in which the dissolution proposal and any other particulars specified by Cabinet Office Order are stated or recorded.

- (2) Members of a mutual company may make the following requests to the company at any time during its business hours; provided, however, that they must pay the fees determined by the mutual company in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means specified by the mutual company, or to be issued a document stating the particulars.

Article 157 (1) If the member representatives meeting has adopted a resolution on dissolution, the mutual company, within two weeks from the date of the resolution, must give public notice of the outline of the resolution and its balance sheet, and any other particular specified by Cabinet Office Order.

- (2) In the case set forth in the preceding paragraph, members representing at least five thousandths (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 50, paragraph (1)), who have been members of the mutual company consecutively for the preceding six months may demand the directors to convene the general meeting of members for the purpose of discussing the particulars of the resolution, by indicating the proposed agenda for the meeting and the reason for the convocation. In this case, the demand must be made within one month from the date of public notice under that paragraph.
- (3) In the case referred to in the preceding paragraph, the resolution of the

member representatives meeting loses its effect, unless the general meeting adopts a resolution approving the resolution of the member representatives meeting on dissolution within six weeks from the date of demand under that paragraph.

- (4) The provisions of Article 156 apply mutatis mutandis to the resolution of the general meeting of members set forth in the preceding paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

Article 158 The provisions of Article 926 (Registration of Dissolution) of the Companies Act, and Article 71, paragraphs (1) and (3) (Registration of Dissolution) of the Commercial Registration Act apply mutatis mutandis to a mutual company. In this case, the term "Article 478, paragraph (1), item (i) of the Companies Act" in Article 71, paragraph (3) of the Commercial Registration Act is deemed to be replaced with "Article 180-4, paragraph (1), item (i) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

Section 2 Merger

Subsection 1 General Provisions

Article 159 (1) A mutual company may merge with another mutual company or a stock company that conducts insurance business. In this case, a merger agreement must be concluded between the mutual companies or between the mutual company and the stock company.

- (2) In the case referred to in the preceding paragraph, the company surviving the merger or the company incorporated by the merger must be the company that falls under one of the following items in accordance with the categories set forth in each of those items:

- (i) if a mutual company merges with another mutual company: a mutual company; or
- (ii) if a mutual company merges with a stock company that conducts insurance business: a mutual company or a stock company that conducts insurance business.

Subsection 2 Merger Agreement

(Absorption-Type Merger Agreement between Mutual Companies)

Article 160 If mutual companies carry out an absorption-type merger (meaning any merger that a mutual company effects with another mutual company or a stock company, in which the surviving mutual or stock company succeeds to all of the rights and obligations of the absorbed mutual or stock company; the

same applies hereinafter), the absorption-type merger agreement must provide for the following particulars:

- (i) the names and addresses of the mutual company surviving the absorption-type merger (hereinafter referred to as the "mutual company surviving the absorption-type merger" in this Section) and the mutual company dissolving in the merger (hereinafter referred to as "mutual company dissolving in the consolidation type merger " in this Section);
- (ii) the amount of any money to be granted to the members of the mutual company dissolving in the consolidation-type merger;
- (iii) the particulars of the rights of the policyholders of the mutual company dissolving in the consolidation-type merger following the merger;
- (iv) the date on which the merger takes effect; and
- (v) any other particular specified by Cabinet Office Order.

(Consolidation-Type Merger Agreement between Mutual Companies)

Article 161 (1) If mutual companies carry out a consolidation-type merger (meaning any merger effected by two or more mutual companies or by two or more mutual and stock companies, in which the new mutual or stock company established in the merger succeeds to all of the rights and obligations of the mutual or stock companies dissolving by the merger; the same applies hereinafter), the consolidation-type merger agreement must provide for the following particulars:

- (i) the names and addresses of the mutual companies that will be dissolved in the merger (hereinafter referred to as "consolidated mutual companies" in this Section);
- (ii) the purpose and name of the mutual company to be established in the merger (hereinafter referred to as the "mutual company incorporated by the consolidation-type merger" in this Section) and the address of its principal office;
- (iii) beyond what is set forth in the preceding item, particulars specified by the articles of incorporation of the mutual company incorporated by the consolidation-type merger;
- (iv) the names of the directors at incorporation of the mutual company incorporated by the consolidation-type merger;
- (v) the particulars set forth in the following items in accordance with the categories provided in each of the items:
 - (a) if the mutual company incorporated by the consolidation-type merger is a company with accounting advisors: the names of the accounting advisors at incorporation of the mutual company incorporated by the consolidation-type merger;
 - (b) if the mutual company incorporated by the consolidation-type merger is a

- company with auditors: the names of the company auditors at incorporation of the mutual company incorporated by the consolidation-type merger; or
- (c) ife the mutual company incorporated by the consolidation-type merger is a company with accounting auditors: the names of the accounting auditors at incorporation of the mutual company incorporated by the consolidation-type merger;
- (vi) the amount of any money to be granted to the members of the consolidated mutual companies;
- (vii) the particulars of the rights of policyholders following the merger; and
- (viii) any other particular specified by Cabinet Office Order.
- (2) If a mutual company incorporated by the consolidation-type merger is a company with an audit and supervisory committee, the matters listed in item (iv) of the preceding paragraph must be specified separately for directors at incorporation who are audit and supervisory committee members or other directors at incorporation.

(Absorption-Type Merger Agreement between Stock and Mutual Companies Survived by Mutual Company)

- Article 162 (1) In an absorption-type merger between a stock company and a mutual company where the surviving insurance company, etc. is the mutual company, the merger agreement must specify the following particulars:
- (i) the trade names, names and addresses of the stock company dissolving in the merger (hereinafter referred to as "stock company dissolving in an absorption-type merger" in this Section) and the mutual company surviving the absorption-type merger;
- (ii) the method of compensation for the shareholders and holders of share options of the stock company dissolving in an absorption-type merger;
- (iii) the particulars of the reserves of the mutual company surviving the absorption-type merger;
- (iv) the particulars of the rights of the policyholders of the stock company dissolving in an absorption-type merger following the merger;
- (v) the date on which the merger takes effect; and
- (vi) any other particular specified by Cabinet Office Order.
- (2) The provisions of Article 68, paragraph (6) apply mutatis mutandis to the absorption-type merger set forth in the preceding paragraph. In this case, the phrase "loss reserves in addition to the reserves set forth in paragraph (4)" in paragraph (6) of the same Article is deemed to be replaced with "loss reserves"; any other necessary technical replacement of terms is specified by Cabinet Order.
- (3) The provisions of Article 72, paragraph (1) apply mutatis mutandis to the

stock company dissolving in an absorption-type merger set forth in paragraph (1), item (i). In this case, the terms "Article 70, paragraph (2)" and "entity conversion" in that paragraph are deemed to be replaced with "Article 165-7, paragraph (2)" and "absorption-type merger", respectively; and the term "to obtain consent" is deemed to be deleted; any other necessary technical replacement of terms is specified by Cabinet Order.

- (4) The provisions of Article 83 apply mutatis mutandis to the absorption-type merger set forth in paragraph (1). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Consolidation-Type Merger between Stock and Mutual Companies
Incorporating Mutual Company)

Article 163 (1) In a consolidation-type merger between a stock company (or stock companies) and a mutual company if the insurance company, etc. to be incorporated is a mutual company, the merger agreement must specify the following particulars:

- (i) the trade names, names and addresses of the stock company (or stock companies) dissolved in the merger (hereinafter referred to as a "stock company dissolving in the consolidation-type merger" in this Section) and the consolidated mutual company;
- (ii) the purpose and name of the mutual company established by the consolidation-type merger and the address of its principal office;
- (iii) beyond what is set forth in the preceding item, particulars specified by the articles of incorporation of the mutual company established by the consolidation-type merger;
- (iv) the names of the directors at incorporation of the mutual company established by the consolidation-type merger;
- (v) the particulars set forth in the following items in accordance with the categories provided in each of those items:
 - (a) if the mutual company incorporated by the consolidation-type merger is a company with accounting advisors: the names of the accounting advisors at incorporation of the mutual company incorporated by the consolidation-type merger;
 - (b) if the mutual company incorporated by the consolidation-type merger is a company with company auditors: the names of the company auditors at incorporation of the mutual company incorporated by the consolidation-type merger; or
 - (c) if the mutual company incorporated by the consolidation-type merger is a company with a accounting auditors: the names of the accounting auditors at incorporation of the mutual company incorporated by the consolidation-type merger;

- (vi) the method of compensation for the shareholders and holders of share options of the stock company dissolving in the consolidation-type merger;
 - (vii) the provisions on the amount of money to be granted to the members of the consolidated mutual company;
 - (viii) the particulars of the reserves of the mutual company incorporated by the consolidation-type merger;
 - (ix) the particulars of the rights of policyholders following the merger; and
 - (x) any other particular specified by Cabinet Office Order.
- (2) If a mutual company incorporated by the consolidation-type merger is a company with an audit and supervisory committee, the matters listed in item (iv) of the preceding paragraph must be specified separately for directors at incorporation who are audit and supervisory committee members or other directors at incorporation.
- (3) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the consolidation-type merger set forth in paragraph (1); and the provisions of paragraph (3) of that Article apply mutatis mutandis to a stock company dissolving in the consolidation-type merger. In this case, the term "absorption-type merger" in Article 162, paragraph (3) is deemed to be replaced with "consolidation-type merger"; any other necessary technical replacement of terms is specified by Cabinet Order.
- (4) The provisions of Article 83 apply mutatis mutandis to the consolidation-type merger set forth in paragraph (1). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Absorption-Type Merger Agreement between Stock and Mutual Companies Survived by Stock Company)

- Article 164 (1) In an absorption-type merger between a stock company and a mutual company, when the surviving insurance company, etc. is the stock company, the merger agreement must specify the following particulars:
- (i) the trade names, names and addresses of the stock company surviving the merger (hereinafter referred to as "stock company surviving the absorption-type merger" in this Section) and the mutual company dissolving in the consolidation type merger;
 - (ii) the following particulars of any share, etc. (meaning share or money; hereinafter the same applies in this Section) to be granted to the members of the mutual company dissolving in the consolidation type merger by the stock company surviving the absorption-type merger in carrying out the merger:
 - (a) if the share, etc. are the shares of the stock company surviving the absorption-type merger, the number of those shares (or, in a company with class shares, the classes of the shares and the number of shares by class) or the method of calculating the number, and the particulars of the

- amounts of stated capital and reserves of the stock company surviving the absorption-type merger; or
- (b) if the share, etc. is money, the amount of that money or the method of calculating the amount;
- (iii) if specified in the preceding item, the particulars of the allocation of shares, etc. to the members of the mutual company dissolving in the consolidation type merger (excluding the stock company surviving the absorption-type merger) under that item;
- (iv) the method of sale for the new shares to be issued for fractional lots generated by the allocation of shares to the members of the mutual company dissolving in the consolidation type merger, and any other particular specified by Cabinet Office Order regarding the sale;
- (v) if the shares set forth in the preceding item are purchased, the method of the purchase and any other particular specified by Cabinet Office Order regarding such purchase;
- (vi) the amount of any money to be granted to the contributors to the funds of the mutual company dissolving in the consolidation type merger;
- (vii) the particulars of the rights of policyholders of the mutual company dissolving in the consolidation type merger following the merger;
- (viii) the particulars of the amount of surplus from consolidation;
- (ix) the date on which the merger takes effect; and
- (x) any other particulars specified by Cabinet Office Order.
- (2) The provisions of the main text of Article 89, paragraph (1) and Article 89, paragraph (2) apply mutatis mutandis to the absorption-type merger set forth in the preceding paragraph. In this case, the terms "converting mutual company", "effective date" and "entity conversion plan" in paragraph (1) of the same Article are deemed to be replaced with " mutual company dissolving in the consolidation- type merger", "date set forth in Article 164, paragraph (1), item (ix)", and "absorption-type merger agreement set forth in Article 164, paragraph (1)", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.
- (3) The provisions of Article 90 apply mutatis mutandis to the absorption-type merger set forth in paragraph (1); and the provisions of Article 162, paragraph (3) apply mutatis mutandis to a mutual company dissolving in the consolidation- type merger. In this case, the terms "members of a converting mutual company", "converted stock company", and "entity conversion plan" in Article 90, paragraph (1) are deemed to be replaced with "members of a mutual company dissolving in the consolidation type merger", "stock company surviving the absorption-type merger" and "absorption-type merger agreement set forth in Article 164, paragraph (1)" respectively; and the term "Article 165-7, paragraph (2)" in Article 162, paragraph (3) is deemed to be replaced with

"Article 165-17, paragraph (2)"; any other necessary technical replacement of terms is specified by Cabinet Order.

- (4) The provisions of Article 91 apply mutatis mutandis to a stock company surviving an absorption-type merger. In this case, the term "amount of surplus in entity conversion" in that Article is deemed to be replaced with "amount of merger surplus"; the phrase "as a particular to be specified by the articles of incorporation pursuant to the provisions of Article 86, paragraph (4), item (ii)" in Article 91, paragraph (1) is deemed to be replaced with "in its articles of incorporation"; the term "paragraph (3) of the preceding Article" in Article 91, paragraph (2) is deemed to be replaced with "paragraph (2) of the preceding Article as applied mutatis mutandis pursuant to Article 164, paragraph (3)"; and the terms "capital reserve on entity conversion" and "calculations on entity conversion" in Article 91, paragraph (4) are deemed to be replaced with "capital reserve on an absorption-type merger under Article 164, paragraph (1)" and "calculations on such absorption-type merger", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

(Consolidation-Type Merger Agreement between Stock Companies and Mutual Companies Incorporating a Stock Company)

Article 165 (1) In a consolidation-type merger between a stock company (or stock companies) and a mutual company when the insurance company, etc. to be incorporated is a stock company, the merger agreement must specify the following particulars:

- (i) the trade names, names and addresses of the consolidated companies (meaning the stock company dissolving in the consolidation-type merger and the consolidated mutual company; hereinafter the same applies in this Section);
- (ii) the purpose, trade name, address of the head office, and total number of authorized shares of the stock company to be established in the merger (hereinafter referred to as "stock company incorporated by consolidation-type merger" in this Section);
- (iii) beyond what is set forth in the preceding item, particulars specified by the articles of incorporation of the stock company incorporated by the consolidation-type merger;
- (iv) the names of the persons that become directors at the incorporation of the stock company incorporated by the consolidation-type merger;
- (v) the particulars set forth in the following sub-items in accordance with the categories provided in each sub-item:
 - (a) if the stock company incorporated by the consolidation-type merger is a company with accounting advisors: the names of the persons that become accounting advisors at the incorporation of the stock company incorporated

- by the consolidation-type merger;
- (b) if the stock company incorporated by the consolidation-type merger is a company with auditors: the names of the persons that become company auditors at the incorporation of the stock company incorporated by the consolidation-type merger; or
 - (c) if the stock company incorporated by the consolidation-type merger is a company with accounting auditors: the names of the persons that become accounting auditors at the incorporation of the stock company incorporated by the consolidation-type merger;
 - (vi) the number of the stock company incorporated by the consolidation-type merger's shares (or, in a company with class shares, the classes of share and the number of shares by class) to be granted by the company in carrying out the merger to the shareholders of the stock company dissolving in the consolidation-type merger in lieu of the latter company's shares, or the method of calculating the number;
 - (vii) the number of the stock company incorporated by the consolidation-type merger's shares (or, in a company with class shares, the classes of shares and the number of shares by class) to be granted by the company in carrying out the merger to the members of the consolidated mutual company;
 - (viii) the particulars of the amounts of the stated capital and reserves of the stock company incorporated by the consolidation-type merger;
 - (ix) the particulars of the allocation of shares under items (vi) or (vii) to the shareholders of the stock company dissolving in the consolidation-type merger (excluding any stock company dissolving in the consolidation-type merger or mutual company dissolving in the consolidation-type merger consolidated mutual company) or the members of the consolidated mutual company (excluding any stock company dissolving in the consolidation-type merger or mutual company dissolving in the consolidation-type merger);
 - (x) the method of sale for the new shares to be issued for fractional lots generated by the allocation of shares to the members of the consolidated mutual company, and any other particulars specified by Cabinet Office Order regarding the sale;
 - (xi) if the shares set forth in the preceding items are purchased, the method of the purchase and any other particulars specified by Cabinet Office Order regarding such purchase;
 - (xii) if a stock company dissolving in the consolidation-type merger has issued share options, the following particulars of the stock company incorporated by the consolidation-type merger's share options or money to be granted by the latter company in carrying out the merger to the holders of share options of the consolidated stock company in lieu of the share options:
 - (a) if share options of the stock company incorporated by the consolidation-

- type merger are granted to the holders of stock options of the stock company dissolving in the consolidation-type merger, the content and number of the share options thus granted and the method of calculating the number;
- (b) in the case prescribed in (a), if the share options of the stock company dissolving in the consolidation-type merger set forth in (a) are share options attached to corporate bonds, the fact that the stock company incorporated by the consolidation-type merger will assume the obligations pertaining to the corporate bonds (meaning corporate bonds as defined in Article 2, item (xxiii) of the Companies Act; the same applies in (b)) with stock options, and the classes of corporate bonds covered by the assumption and the total value of the corporate bonds by class or the method of calculating the amount; or
 - (c) if any money is granted to the holders of stock options of a stock company dissolving in the consolidation-type merger other than that set forth in (a), the amount of the money or the method of calculating the amount;
 - (xiii) if specified in the preceding item, the particulars of the allocation of stock company established by the consolidation-type merger's share options or money to the holders of share options of the stock company dissolving in the consolidation-type merger set forth in that item;
 - (xiv) the amount of any money to be granted to the shareholders of the stock company dissolving in the consolidation-type merger, or the contributors to the funds and the members of the consolidated mutual company;
 - (xv) the particulars of the rights of policyholders following the merger;
 - (xvi) the particulars of the amount of surplus from consolidation; and
 - (xvii) any other particulars specified by Cabinet Office Order.
- (2) In the case if a stock company incorporated by the consolidation-type merger is a company with an audit and supervisory committee, the particulars listed in item (iv) of the preceding paragraph must be specified separately for persons to become directors upon the incorporation of the stock company incorporated by the consolidation-type merger that become audit and supervisory committee members upon the incorporation of the stock company incorporated by the consolidation-type merger and persons that become other directors upon the incorporation of the stock company incorporated by the consolidation-type merger
- (3) In the case prescribed in paragraph (1), the company dissolving in the consolidation-type merger may, if all or any of the stock company dissolving in the consolidation-type merger is a company with class shares, prescribe the following particulars as particulars listed in item (vi) of that paragraph, depending on the class structure of the shares issued by the stock company dissolving in the consolidation-type merger:

- (i) if it is decided not to allocate shares of the stock company incorporated by the consolidation-type merger to any specific type of shareholder, that fact and the class of share; and
 - (ii) beyond what is set forth in the preceding item, if they treat each class of share in a different manner in allocating shares of the stock company incorporated by the consolidation-type merger, that fact and the content of the different treatment.
- (4) If paragraph (1) applies, the provisions for the particulars listed in item (vi) of that paragraph must include a clause that the shares of the stock company incorporated by the consolidation-type merger is allocated in accordance with the number of shares (or, if the articles of incorporation include provisions for the particulars listed in item (ii) of the preceding paragraph, the number of shares by class) held by each shareholder of the stock company dissolving in the consolidation-type merger (excluding any consolidated stock company, consolidated mutual company, or holder of the class of share set forth in item (i) of the preceding paragraph).
- (5) The provisions of the main text of Article 89, paragraph (1) and Article 89, paragraph (2) apply mutatis mutandis to the consolidation-type merger set forth in paragraph (1). In this case, the terms "converting mutual company", "effective date", and "entity conversion plan" in paragraph (1) of the same Article are deemed to be replaced with "consolidated mutual company", "date of the establishment of the stock company incorporated by the consolidation-type merger", and "consolidation-type merger agreement set forth in Article 165, paragraph (1)", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.
- (6) The provisions of Article 90 apply mutatis mutandis to the consolidation-type merger set forth in paragraph (1); and the provisions of Article 162, paragraph (3) apply mutatis mutandis to a consolidated mutual company. In this case, the terms "members of a converting mutual company", "converted stock company", and "entity conversion plan" in Article 90, paragraph (1) are deemed to be replaced with "members of a consolidated mutual company", "stock company established by the consolidation-type merger", and "consolidation-type merger agreement set forth in Article 165, paragraph (1)" respectively; and the term "Article 165-7, paragraph (2)" in Article 162, paragraph (3) is deemed to be replaced with "Article 165-17, paragraph (2)"; any other necessary technical replacement of terms is specified by Cabinet Order.
- (7) The provisions of Article 91 apply mutatis mutandis to a stock company established by the consolidation-type merger. In this case, the term "amount of surplus in entity conversion" in that Article is deemed to be replaced with "amount of surplus from consolidation"; the term "Article 86, paragraph (4), item (ii)" in Article 91, paragraph (1) is deemed to be replaced with "Article 165,

paragraph (1), item (iii)"; the term "paragraph (2) of the preceding Article" in Article 91, paragraph (3) is deemed to be replaced with "paragraph (2) of the preceding Article as applied mutatis mutandis pursuant to Article 165, paragraph (6)"; and the phrases "capital reserve on entity conversion" and "calculations on entity conversion" in Article 91, paragraph (4) are deemed to be replaced with "capital reserves on a consolidation-type merger under Article 165, paragraph (1)" and "calculations on the consolidation-type merger", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

Subsection 3 Merger Procedure

Division 1 Procedure for a Dissolving Stock Company

(Keeping and Inspection of Documents Related to a Merger Agreement)

Article 165-2 (1) A dissolving stock company (meaning an absorbed stock company or a stock company dissolving in the consolidation-type merger; hereinafter the same applies in this Section), for the period ranging from any of the following dates, whichever is the earliest, to the date on which the merger takes effect (hereinafter referred to as "effective date" in this Section), must keep at each of its business offices the documents or electronic or magnetic records in which the details of the merger agreement and any other particulars specified by Cabinet Office Order are stated or recorded:

- (i) the day that is two weeks before the date of the shareholders meeting set forth in paragraph (1) of the following Article or the class meeting set forth in paragraph (5) of the same Article;
- (ii) the date of notice under Article 165-4, paragraph (1) or the date of public notice under paragraph (2) of the same Article, whichever is earlier; or
- (iii) the date of public notice under Article 165-7, paragraph (2).

(2) The creditors of a dissolving stock company, such as shareholders and policyholders, may make the following requests to the company at any time during its operating hours; provided, however, that they must pay the fees determined by the dissolving stock company in making a request set forth in item (ii) or (iv):

- (i) a request to inspect the documents set forth in the preceding paragraph;
- (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
- (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
- (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or

magnetic means determined by the dissolving stock company, or to be issued a document stating the particulars.

(Authorization of Merger Agreement)

- Article 165-3 (1) A dissolving stock company, must have its merger agreement approved by a resolution of the shareholders' meeting by the day before the effective date.
- (2) The resolution set forth in the preceding paragraph to be adopted by a dissolving stock company must be a resolution under Article 309, paragraph (2) (Resolution of Shareholders Meetings) of the Companies Act.
- (3) If a dissolving stock company seeks to adopt a resolution under paragraph (1), the dissolving stock company must provide an outline of the merger agreement in the notice to be given pursuant to Article 299, paragraph (1) (Notice of Calling of Shareholders' Meetings) of the Companies Act.
- (4) Notwithstanding the provisions of paragraph (2), if the merger involves a dissolving stock company that is a public company (meaning a public company as defined in Article 2, item (v) (Definitions) of the Companies Act; hereinafter the same applies in this Section), and all or part of the shares, etc. to be distributed to the shareholders of the dissolving stock company are shares with restriction on transfer, the resolution set forth in paragraph (1) must be a resolution under Article 309, paragraph (3) of that Act; provided, however, that this does not apply to the cases in which the dissolving stock company is a company with class shares.
- (5) In a consolidation-type merger involving a stock company dissolving in the consolidation-type merger that is a company with class shares, if all or part of the shares of the stock company incorporated by the consolidation-type merger to be distributed to the shareholders of the stock company dissolving in the consolidation-type merger are shares with restriction on transfer, the merger is not effective unless approved by a resolution of the class meeting composed of the holders of the class of share (excluding shares with restriction on transfer) for which the shares with restriction on transfer are to be distributed (or, if the shares with restriction on transfer are to be distributed to the holders of two or more classes of shares, the class meetings each composed of the holders of one of those classes of shares); provided, however, that this does not apply to cases if no shareholders can exercise their voting rights in the class meeting.
- (6) Any resolution by a stock company dissolving in the consolidation-type merger under the preceding paragraph must be a resolution under Article 324, paragraph (3) (Resolution of Class Meetings) of the Companies Act.

(Request for Renunciation of Absorption-Type Merger or Consolidation-Type Merger)

Article 165-3-2 In case if an absorption-type merger or consolidation-type merger violates the laws and regulations or articles of incorporation, if there is a risk that shareholders of a dissolving stock company may suffer disadvantage, the shareholders of a dissolving stock company may request the dissolving stock company to renounce the relevant absorption-type merger or consolidation-type merger.

(Notice to Shareholders)

Article 165-4 (1) A dissolving stock company, no later than 20 days before the effective date, must notify its shareholders and the registered pledgees of its shares, and the holders of its share options and the registered pledgees of its share options of the planned merger, and the trade name or name and address of the mutual company surviving the absorption-type merger, or the stock company conducting insurance business or mutual company to be incorporated by the merger (hereinafter referred to as "incorporated company" in this Section).

(2) A notice under the preceding paragraph may be replaced with a public notice.

(3) The provisions of Article 219, paragraph (1) (limited to the part involving item (vi)), paragraph (2) (limited to the part involving item (iv)) and paragraph (3) (Public Notice in Relation to Submission of Share Certificate), Article 220 (Cases If Share Certificates Cannot be Submitted), and Article 293, paragraph (1) (limited to the part involving item (iii)) (Public Notice in Relation to Submission of Share Option Certificate) of the Companies Act apply mutatis mutandis to an extinguished stock company. In this case, the phrase "A company surviving an absorption-type merger as prescribed in Article 749, paragraph (1) or a company incorporated in a consolidation-type merger as prescribed in Article 753, paragraph (1)" in Article 219, paragraph (2), item (iv) of that Act is deemed to be "A mutual company surviving the absorption-type merger prescribed in Article 160, item (i) of the Insurance Business Act or a consolidated mutual company prescribed in Article 165-4, paragraph (1) of that Act", any other necessary technical replacement of terms is specified by Cabinet Order.

(Right to Request Purchase of Shares)

Article 165-5 (1) The following shareholders may request the dissolving stock company to purchase the shares that they hold at a fair price:

(i) a shareholder who, prior to the shareholders meeting to approve the merger agreement (including the class meeting; hereinafter the same applies in this item), has given notice to the dissolving stock company of their intent to oppose the merger, and has actually opposed the merger at the shareholders meeting (limited to a shareholder who can exercise their voting rights at the

- shareholders meeting); and
- (ii) a shareholder who cannot exercise their voting rights at the shareholders meeting.
- (2) The provisions of Article 785, paragraphs (5) to (9) (Dissenting Shareholders' Exercise of Appraisal Right), Article 786 (Appraisal of Price of Shares), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (2) (limited to the part involving item (ii)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and Other Procedures), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and Other Procedures), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to a request made under the preceding paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Right to Request Purchase of Share Options)

- Article 165-6 (1) A holder of share options of a dissolving stock company may request the company to purchase the share options that they hold at a fair price:
- (2) The provisions of Article 787, paragraphs (5) to (10) (Demand for Purchase of Share Options), Article 788 (Appraisal of Price of Share Options), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (2) (limited to the part involving item (ii)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and Other Procedures), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and Other Procedures), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to a request made under the preceding paragraph. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Objections of Creditors)

- Article 165-7 (1) Policyholders or other creditors of a dissolving stock company may state to the company their objections to the merger.
- (2) A dissolving stock company must give public notice of the following

particulars in the Official Gazette and by the means of public notice prescribed by its articles of incorporation; provided, however, that the period referred to in item (iv) may not be shorter than one month:

- (i) the fact that a merger will be carried out;
 - (ii) the trade names or names and addresses of the mutual company surviving the absorption-type merger or other consolidated companies (meaning stock company dissolving in the consolidation-type merger and consolidated mutual companies; the same applies in Article 165-17, paragraph (2)) and the incorporated company;
 - (iii) the particulars specified by Cabinet Office Order as those related to the financial statements of a dissolving stock company;
 - (iv) the fact that policyholders or other creditors of the dissolving stock company may state their objections within a certain period of time; and
 - (v) beyond what is set forth in the preceding items, particulars specified by Cabinet Office Order.
- (3) If policyholders or other creditors have not raised their objections within the period set forth in item (iv) of the preceding paragraph, those policyholders or other creditors are deemed to have approved the merger.
- (4) The provisions of Article 70, paragraphs (4) through (8) apply mutatis mutandis to objections of creditors under paragraph (1). In this case, the term "paragraph (2), item (iv)" in paragraphs (5) and (6) of the same Article is deemed to be replaced with "Article 165-7, paragraph (2), item (iv)"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Change in Effective Date of Absorption-Type Merger)

- Article 165-8 (1) An absorbed stock company may change the effective date by an agreement with the mutual company surviving the absorption-type merger.
- (2) In the case set forth in the preceding paragraph, the absorbed stock company must give public notice of the effective date thus changed by the day before the original effective date (or, if the changed effective date falls before the original effective date, the changed effective date).
- (3) If the effective date has been changed pursuant to the provisions of paragraph (1), the changed effective date is deemed to be the effective date for the purpose of applying the provisions of this Section.

Division 2 Procedure for a Stock Company Surviving an Absorption-Type Merger

(Keeping and Inspection of Documents Related to an Absorption-Type Merger Agreement)

- Article 165-9 (1) A stock company surviving an absorption-type merger, for the

period ranging from any of the following dates, whichever is the earliest, to the day that is six months after the effective date, must keep at each of its business offices the documents or electronic or magnetic records in which the content of the absorption-type merger agreement and any other particulars specified by Cabinet Office Order are stated or recorded:

- (i) if the merger agreement needs to be approved by a resolution of the shareholders meeting (including the class meeting), the day that is two weeks before the date of the shareholders meeting;
 - (ii) the date of notice under Article 165-4, paragraph (1) as applied *mutatis mutandis* pursuant to Article 165-12 or the date of public notice under Article 165-4, paragraph (2) as applied *mutatis mutandis* pursuant to Article 165-12, whichever is earlier; or
 - (iii) the date of public notice under Article 165-7, paragraph (2) as applied *mutatis mutandis* pursuant to Article 165-12.
- (2) The creditors of a stock company surviving an absorption-type merger, such as shareholders and policyholders, may make the following requests to the company at any time during its operating hours; provided, however, that they must pay the fees determined by the stock company surviving the absorption-type merger in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by the stock company surviving the absorption-type merger, or to be issued a document stating the particulars.

(Authorization of Absorption-Type Merger Agreement)

- Article 165-10 (1) A stock company surviving an absorption-type merger must have its merger agreement approved by a resolution of the shareholders meeting by the day before the effective date.
- (2) The resolution set forth in the preceding paragraph to be adopted by the stock company surviving the absorption-type merger must be a resolution under Article 309, paragraph (2) (Resolution of Shareholders Meetings) of the Companies Act.
- (3) A stock company surviving an absorption-type merger, if it seeks to adopt a resolution under paragraph (1), must provide an outline of the absorption-type merger agreement in the notice to be given pursuant to Article 299, paragraph

- (1) (Notice of Calling of Shareholders Meetings) of the Companies Act.
- (4) If a stock company surviving an absorption-type merger succeeds to the assets of the mutual company dissolving in the consolidation type merger including its own shares, its directors must explain the particulars of those shares in the shareholders' meeting set forth in paragraph (1).
- (5) In an absorption-type merger in which the company surviving the merger is a company with class shares, and in which the shares, etc. to be granted to the members of the mutual company dissolving in the consolidation type merger are shares of the stock company surviving the absorption-type merger, the merger is to be null and void unless approved by a resolution of the class meeting composed of the holders of the class of share set forth in Article 164, paragraph (1), item (ii), (a) (limited to the shares with restriction on transfer which are not specified in the articles of incorporation set forth in Article 199, paragraph (4) (Determination of Subscription Requirements) of the Companies Act) (or, if the shares are to be granted to the holders of two or more classes of share, the class meetings each composed of the holders of one of those classes of share); provided, however, that this does not apply to the cases if no shareholders can exercise their voting rights at the relevant class meeting.
- (6) Any resolution by a stock company surviving an absorption-type merger under the preceding paragraph must be a resolution under Article 324, paragraph (3) (Resolution of Class Meetings) of the Companies Act.

(Cases If Authorization of an Absorption-Type Merger Agreement Is Not Required)

Article 165-11 (1) The provisions of the preceding Article paragraphs (1) through (4) do not apply if the amount set forth in item (i) does not exceed one fifth (or any smaller proportion prescribed by the articles of incorporation of the stock company surviving the absorption-type merger) of the amount set forth in item (ii); provided, however, that this does not apply to cases in which all or part of the shares, etc. delivered to members of a mutual company dissolving in the consolidation type merger are shares with restriction on transfer of the stock company surviving the absorption-type merger and the stock company surviving the absorption-type merger is not a public company:

- (i) the total of the following amounts:
- (a) the amount calculated by multiplying the number of stock company surviving the absorption-type merger's shares to be distributed to the members of the mutual company dissolving in the consolidation type merger by the amount of net assets per share (meaning the amount of net assets per share set forth in Article 141, paragraph (2) (Notice of Purchases by Stock Company) of the Companies Act); and
 - (b) the amount of money to be granted to the members of the mutual

- company dissolving in the consolidation type merger;
- (ii) the amount of net assets of the stock company surviving the absorption-type merger as calculated by the method specified by Cabinet Office Order.
- (2) In the case prescribed in the main text of the preceding paragraph, an absorption-type merger agreement must be approved by a resolution of the shareholders' meeting by the day before the effective date, where the holders of the number of shares specified by Cabinet Office Order (limited to those who may exercise their voting rights at the shareholders meeting set forth in paragraph (1) of the preceding Article) have notified to the stock company surviving the absorption-type merger of their intention to oppose to the merger within two weeks from the date of notice under Article 165-4, paragraph (1) as applied mutatis mutandis pursuant to Article 165-12 or the date of public notice under Article 165-4, paragraph (2) as applied mutatis mutandis pursuant to Article 165-12.

(Request for Renunciation of Absorption-Type Merger)

Article 165-11-2 In the case if an absorption-type merger violates the laws or regulations or articles of incorporation, if there is a risk that shareholders of a stock company surviving an absorption-type merger suffer disadvantage, the shareholders of the stock company surviving an absorption-type merger may request the stock company surviving an absorption-type merger to renounce the relevant absorption-type merger or consolidation-type merger; provided, however, that this does not apply to the case prescribed in the main text of paragraph (1) of the preceding Article (excluding the cases specified in proviso to that paragraph or paragraph (2) of that Article).

(Provisions Applied Mutatis Mutandis)

Article 165-12 The provisions of Article 165-4, Article 165-5, paragraph (2) and Article 165-7 of this Act and Article 797, paragraphs (1) and (2) (Dissenting Shareholders Share Purchase Demand) of the Companies Act apply mutatis mutandis to a stock company surviving an absorption-type merger. In this case, the term "and address" in Article 165-4, paragraph (1) is deemed to be replaced with ", address and, if Article 165-10, paragraph (4) applies, the particulars of the shares set forth in that paragraph"; the phrase "the main text of Article 796, paragraph (2)" in the proviso to Article 797, paragraph (1) of that Act is deemed to be replaced with "the main clause of Article 165-11, paragraph (1) of the Insurance Business Act" and the phrase "listed in the items of Article 795, paragraph (2) and the cases prescribed in the proviso to Article 796, paragraph (1) or (3)" in that proviso is deemed to be replaced with "prescribed in the proviso to that paragraph or paragraph (2) of that Article"; and the phrase "all shareholders (excluding the relevant special controlling company in the cases

prescribed in the main text of Article 796, paragraph (1)) in item (ii), paragraph (2) of that Article is deemed to be replaced with "all shareholders"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Keeping and Inspection of Documents Related to Absorption-Type Merger)

Article 165-13 (1) A stock company surviving an absorption-type merger, without delay following the effective date, must prepare documents or electronic or magnetic records in which the rights and obligations of the mutual company dissolving in the consolidation type merger assumed by the stock company surviving the absorption-type merger as a result of the absorption-type merger and any other particulars specified by Cabinet Office Order as being involved in an absorption-type merger are stated or recorded.

- (2) A stock company surviving an absorption-type merger, for six months from the effective date, must keep at each of its business offices documents or electronic or magnetic records set forth in the preceding paragraph.
- (3) The creditors of a stock company surviving an absorption-type merger, such as shareholders and policyholders, may make the following requests to the company at any time during its operating hours; provided, however, that they must pay the fees determined by the stock company surviving the absorption-type merger in making a request set forth in item (ii) or (iv):
 - (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by the stock company surviving the absorption-type merger, or to be issued a document stating the particulars.

Division 3 Procedure for a Stock Company Incorporated by Consolidation-Type Merger

Article 165-14 (1) The provisions of Part II, Chapter I (excluding Article 27 (excluding items (iv) and (v)), Article 29, Article 31, Article 37, paragraph (3), Article 39, Section 6 and Article 49) (Incorporation) of the Companies Act do not apply to the incorporation of a stock company incorporated by a consolidation-type merger.

- (2) The articles of incorporation of a stock company incorporated by a

- consolidation-type merger are prepared by the consolidated companies.
- (3) The provisions of the preceding Article apply mutatis mutandis to a stock company incorporated by a consolidation-type merger. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

Division 4 Procedure for a Dissolving Mutual Company

(Keeping and Inspection of Documents Related to a Merger Agreement)

- Article 165-15 (1) A dissolving mutual company (meaning a mutual company dissolving in the consolidation type merger or a consolidated mutual company; hereinafter the same applies in this Section), for the period of time from any of the following dates, whichever is earlier, to the effective date, must keep at each of its offices the documents or electronic or magnetic records in which the content of the merger agreement and any other particulars specified by Cabinet Office Order are stated or recorded:
- (i) the day that is two weeks before the date of the general meeting of members (or the member representatives meeting, if the company has such a meeting; hereinafter the same applies in this Subsection) set forth in paragraph (1) of the following Article; or
 - (ii) the date of public notice under Article 165-17, paragraph (2).
- (2) Policyholders or other creditors of a dissolving mutual company may make the following requests to the company at any time during its business hours; provided, however, that they must pay the fees determined by the dissolving mutual company in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by the dissolving mutual company, or to be issued a document stating the particulars.

(Authorization of Merger Agreement)

- Article 165-16 (1) A dissolving mutual company, must have its merger agreement approved by a resolution of the general meeting of members by the day before the effective date.
- (2) The resolution set forth in the preceding paragraph to be adopted by a dissolving mutual company must be a resolution under Article 62, paragraph

(2).

(Request for Renunciation of Absorption-Type Merger or Consolidation-Type Merger)

Article 165-16-2 If an absorption-type merger or consolidation-type merger violates the laws or regulations or articles of incorporation, if there is a risk that shareholders of a dissolving mutual company suffer disadvantage, the shareholders of a dissolving mutual company may request the dissolving mutual company to renounce the absorption-type merger or consolidation-type merger.

(Objections of Creditors)

Article 165-17 (1) Policyholders or other creditors of an extinguished mutual company may state to the company their objections to the merger.

(2) A dissolving mutual company must give public notice of the following particulars in the Official Gazette and by the method of public notice prescribed by its articles of incorporation; provided, however, that the period for item (iii) may not be shorter than one month:

(i) the fact that a merger will be carried out;

(ii) the trade names or names and addresses of the company surviving the absorption-type merger (meaning the mutual company surviving the absorption-type merger or stock company surviving the absorption-type merger; hereinafter the same applies in this Section) or other consolidated companies and the incorporated company;

(iii) the fact that policyholders or other creditors of the dissolving mutual company may raise their objections within a certain period of time; and

(iv) beyond what is set forth in the preceding items, any particular specified by Cabinet Office Order.

(3) If the policyholders or other creditors have not raised their objections within the period set forth in item (iii) of the preceding paragraph, the policyholders or other creditors are deemed to have approved the merger.

(4) The provisions of Article 88, paragraphs (4) through (6) apply mutatis mutandis to objections of creditors under paragraph (1). In this case, the term "paragraph (2), item (iii)" in paragraphs (4) and (6) of the same Article is deemed to be replaced with "Article 165-17, paragraph (2), item (iii)"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Change in Effective Date of an Absorption-Type Merger)

Article 165-18 (1) A mutual company dissolving in the consolidation type merger may change the effective date in an agreement with the company surviving the absorption-type merger.

- (2) In the case set forth in the preceding paragraph, the mutual company dissolving in the consolidation type merger must give public notice of the effective date thus changed by the day before the original effective date (or, if the changed effective date falls before the original effective date, the changed effective date).
- (3) If the effective date has been changed pursuant to the provisions of paragraph (1), the changed effective date is deemed to be the effective date for the purpose of applying the provisions of this Section.

Division 5 Procedure for a Mutual Company Surviving an Absorption-Type Merger

(Keeping and Inspection of Documents Related to an Absorption-Type Merger Agreement)

- Article 165-19 (1) A mutual company surviving an absorption-type merger, for the period of time from any of the following dates, whichever is earlier, to the day that is six months after the effective date, must keep at each of its offices, documents or electronic or magnetic records in which the content of the absorption-type merger agreement and any other particulars specified by Cabinet Office Order are stated or recorded:
- (i) the day that is two weeks before the date of the general meeting of members set forth in Article 165-16, paragraph (1) as applied mutatis mutandis pursuant to the following Article; or
 - (ii) the date of public notice under Article 165-17, paragraph (2) as applied mutatis mutandis pursuant to the following Article.
- (2) Policyholders or other creditors of a mutual company surviving an absorption-type merger may make the following requests to the company at any time during its business hours; provided, however, that they must pay the fees determined by the mutual company surviving the absorption-type merger in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by the mutual company surviving the absorption-type merger, or to be issued a document stating the particulars.

(Provisions Applied, Mutatis Mutandis)

Article 165-20 The provisions of Articles 165-16 through 165-17 apply mutatis mutandis to a mutual company surviving an absorption-type merger. In this case, the phrase "an absorption-type merger or consolidation-type merger" in Article 165-16-2 is deemed to be replaced with "an absorption-type merger"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Keeping and Inspection of Documents Related to an Absorption-Type Merger)

Article 165-21 (1) A mutual company surviving an absorption-type merger, without delay following the effective date, must prepare documents or electronic or magnetic records in which the rights and obligations of the mutual company dissolving in the consolidation type merger or absorbed stock company which are assumed by the mutual company surviving the absorption-type merger as a result of the absorption-type merger and any other particulars specified by Cabinet Office Order as being involved in an absorption-type merger are stated or recorded.

- (2) A mutual company surviving an absorption-type merger, for six months from the effective date, must keep at each of its offices documents or electronic or magnetic records set forth in the preceding paragraph.
- (3) Policyholders or other creditors of a mutual company surviving an absorption-type merger may make the following requests to the company at any time during its business hours; provided, however, that they must pay the fees determined by the stock company surviving the absorption-type merger in making a request set forth in item (ii) or (iv):
 - (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by the mutual company surviving the absorption-type merger, or to be issued a document stating the particulars.

Division 6 Procedure for a Mutual Company Incorporated by a Consolidation-Type Merger

Article 165-22 (1) The provisions of Chapter II, Section 2, Subsection 2 (excluding Article 23 (excluding paragraph (1), item (ix) and paragraph (4)),

Article 25, Article 26, Article 30-10, paragraphs (3) through (6), and paragraph (8), and Article 30-13, paragraph (1)) do not apply to the incorporation of a mutual company incorporated by a consolidation-type merger.

- (2) The articles of incorporation of a mutual company incorporated by a consolidation-type merger are prepared by the consolidated company.
- (3) The provisions of the preceding Article apply mutatis mutandis to a mutual company established by a consolidation-type merger. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

Division 7 Special Provisions on the Merger of Stock Companies

(Special Provisions on the Keeping and Inspection of Documents Related to Merger Agreements)

Article 165-23 For the purpose of applying the provisions of Article 782, paragraph (1), Article 794, paragraph (1) (Keeping and Inspection of Documents, Related to an Absorption-Type Merger Agreement) and Article 803, paragraph (1) (Keeping and Inspection of Documents Related to a Consolidation-Type Merger Agreement) of the Companies Act to a merger of stock companies that conducts insurance business pursuant to Article 748 (Conclusion of a Merger Agreement) of that Act, the terms "Order of the Ministry of Justice" and "its head office" in those provisions are deemed to be replaced with "Order of the Ministry of Justice or Cabinet Office Order" and "each of its business offices", respectively.

(Special Provisions on Objections of the Creditors)

Article 165-24 (1) Policyholders or other creditors of a stock company conducting insurance business that seeks to carry out a merger under Article 748 (Conclusion of a Merger Agreement) of the Companies Act (limited to the cases where the company to survive the merger or to be incorporated by the merger is a stock company conducting insurance business) (hereinafter referred to as "merging company under the Companies Act" in this Section) may state to the company their objections to the merger.

(2) In the case set forth in the preceding paragraph, a merging company under the Companies Act must give public notice of the following particulars in the Official Gazette and by the means of public notice prescribed by its articles of incorporation; provided, however, that the period for item (iv) may not be shorter than one month:

- (i) the fact that a merger will be carried out;
- (ii) the trade names and addresses of the merging companies and the company to survive the merger or the company to be incorporated by the merger;
- (iii) the particulars specified by Cabinet Office Order as pertaining to the

- financial statements of the companies set forth in the preceding item;
- (iv) the fact that policyholders or other creditors of the merging company under the Companies Act may state their objections within a certain period of time; and
- (v) beyond what is set forth in the preceding items, any particular specified by Cabinet Office Order.
- (3) If the policyholders or other creditors have not raised their objections within the period set forth in item (iv) of the preceding paragraph, the policyholders or other creditors are deemed to have approved the merger.
- (4) If any policyholder or other creditor has stated their objection under paragraph (2), item (iv), the merging company under the Company Act must make payment or provide equivalent security to the policyholder or other creditor, or entrust equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receive the payment; provided, however, that this does not apply to the cases where the merger poses no risk of harming the interest of the policyholder or other creditor;
- (5) The provisions of the preceding paragraph do not apply to the policyholders or any rights held by other persons pertaining to insurance contracts (other than the right to insurance claims, etc.).
- (6) Any resolution approving the merger is null and void if the number of the policyholders who have stated their objections within the period set forth in paragraph (2), item (iv) (excluding the holders of policies under which the right to insurance claims, etc. had arisen by the time of public notice under paragraph (2) (but limited to those policies that would be terminated with the payment of the insurance claims, etc.); hereinafter the same applies in this paragraph and the following paragraph) exceeds one fifth of the total number of policyholders, and the amount specified by Cabinet Office Order as the credits (other than the right to insurance claims, etc.) belonging to the insurance contracts of the policyholders who have stated such objections exceeds one fifth of the total amount of credits belonging to the policyholders.
- (7) A merger carried out pursuant to the provisions of the preceding paragraphs are also to be effective against the policyholders who have stated their objections under the preceding paragraph and other persons who hold any right (other than the right to insurance claims, etc.) pertaining to the insurance contracts involving the policyholders.
- (8) Beyond what is provided for in the preceding paragraphs, necessary particulars for the application of those provisions are specified by Cabinet Order.
- (9) The provisions of Articles 789, 799 and 810 (Objections of Creditors) of the Companies Act does not apply to a merging company under the Companies Act.

Division 8 Public Notice after Merger

Article 166 (1) An insurance company, etc. surviving a merger or an insurance company, etc. incorporated by a merger without delay following the merger, must give public notice of the fact that the merger has been carried out and the particulars specified by Cabinet Office Order. The same applies if an insurance company, etc. that has given public notice under paragraph (2) of the preceding Article (including as applied mutatis mutandis pursuant to Article 165-12), Article 165-17, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-20) or paragraph (2) of the preceding Article has renounced the planned merger.

(2) An insurance company, etc. surviving a merger or an insurance company, etc. incorporated by a merger, for six months from the date of the merger, must keep at each of its business offices or offices the documents or electronic or magnetic records in which the progress of the procedures provided for in Article 165-7 (including as applied mutatis mutandis pursuant to Article 165-20), Article 165-17 (including as applied mutatis mutandis pursuant to Article 165-20) and any other particulars specified by Cabinet Office Order as being involved in a merger are stated or recorded.

(3) The shareholders and policyholders, and other creditors of an insurance company, etc. surviving a merger or an insurance company, etc. incorporated by a merger may make the following requests at any time during its operating hours or business hours; provided, however, that they must pay the fees determined by the insurance company, etc. in making a request set forth in item (ii) or (iv):

- (i) a request to inspect the documents set forth in the preceding paragraph;
- (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
- (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order; or
- (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by the insurance company, etc. surviving a merger or the insurance company, etc. incorporated by a merger, or to be issued a document stating the particulars.

Subsection 4 Effectuation of Merger

(Authorization of Merger)

Article 167 (1) Any merger involving an insurance company, etc. (limited to the

cases where the insurance company, etc. survives the merger or if an insurance company, etc. is incorporated by the merger) is to be null and void without the authorization of the Prime Minister.

- (2) When an application has been filed for the authorization set forth in the preceding paragraph, the Prime Minister must examine whether it conforms to the following standards:
 - (i) the merger is appropriate in view of the protection of policyholders, etc.;
 - (ii) if the application for authorization is made by an insurance company, that the merger poses no risk of impeding the appropriate competitive relationship among insurance companies; and
 - (iii) it is certain that the insurance company, etc. surviving the merger or the insurance company, etc. incorporated by the merger will perform its business in an appropriate, fair and efficient manner following the merger.
- (3) The Prime Minister must not give the authorization set forth in paragraph (1) for any application made under that paragraph for a merger between an insurance company and a small amount and short term insurer, unless the company surviving the merger or the company incorporated by the merger is an insurance company.

(Deemed License)

- Article 168 (1) A stock company or mutual company incorporated by a merger with the authorization set forth in paragraph (1) of the preceding Article, at the time of its incorporation, is deemed to obtain the license from the Prime Minister set forth in Article 3, paragraph (1) if the merger involves an insurance company, or the registration set forth in Article 272, paragraph (1) if the merger does not involve an insurance company.
- (2) The license set forth in the preceding paragraph is either of the two types of licenses listed in Article 3, paragraph (2), which was obtained under paragraph (1) of the same Article by the insurance company that has dissolved in the merger.

(Effectuation of Merger)

- Article 169 (1) A mutual company surviving an absorption-type merger, on the effective date, is to succeed to the rights and obligations of the absorbed company (meaning the mutual company dissolving in the consolidation type merger or absorbed stock company; hereinafter the same applies in this Section).
- (2) The dissolution of an absorbed company following a merger may not be duly asserted against a third party prior to the registration of the merger.
 - (3) The shares and share options of an absorbed stock company expires on the effective date.

- (4) The policyholders of an absorbed company become members of the mutual company surviving the absorption-type merger on the effective date; provided, however, that this does not apply to the cases in which the mutual company surviving the absorption-type merger's articles of incorporation do not grant membership to the policyholders with the same class of insurance contracts as those covered by the merger agreement.
- (5) The provisions of the preceding paragraphs do not apply if the procedure set forth in Article 165-7 or 165-17 (including as applied mutatis mutandis pursuant to Article 165-20) has not been completed, or if the absorption-type merger has been canceled.

Article 169-2 (1) A mutual company incorporated by a consolidation-type merger, on the date of its establishment, is to succeed to the rights and obligations of the consolidated company.

- (2) The policyholders of a consolidated company become members of the mutual company incorporated by a consolidation-type merger on the date of the latter's establishment; provided, however, that this does not apply to the cases in which the mutual company incorporated by the consolidation-type merger's articles of incorporation do not grant membership to the policyholders with the same class of insurance contracts as those covered by the merger agreement.
- (3) The shares and share options of a stock company dissolving in the consolidation-type merger is to expire on the date of the establishment of the mutual company established by the consolidation-type merger.

Article 169-3 (1) A stock company surviving an absorption-type merger, is to succeed to the rights and obligations of the absorbed company on the effective date.

- (2) The dissolution of an absorbed company following a merger may not be duly asserted against a third party prior to the registration of the merger.
- (3) If the merger agreement provides for the particulars listed in Article 164, paragraph (1), item (ii), (a), the members of a mutual company dissolving in the consolidation type merger, on the effective date, are to become holders of the shares set forth in item (ii), (a) of the same paragraph pursuant to the provisions of the merger agreement on the particulars listed in item (iii) of the same paragraph.
- (4) The provisions of the preceding three paragraphs do not apply if the procedure set forth in Article 165-7 as applied mutatis mutandis pursuant to Article 165-12 or Article 165-17 has not been completed, or if the absorption-type merger has been canceled.

Article 169-4 (1) A stock company incorporated by a consolidation-type merger,

on the date of its establishment, is to succeed to the rights and obligations of the consolidated company.

- (2) The shareholders or members of a consolidated company, on the date of the establishment of the stock company incorporated by the consolidation-type merger, are to become the holders of the shares set forth in Article 165, paragraph (1), item (vi) or (vii) pursuant to the provisions of the merger agreement on the particulars listed in Article 165, paragraph (1), item (ix).
- (3) The share options of a stock company dissolving in the consolidation-type merger expire on the date of the establishment of the stock company incorporated by the consolidation-type merger.
- (4) In the case prescribed in Article 165, paragraph (1), item (xii), (a), the holders of share options of a stock company dissolving in the consolidation-type merger, on the date of the establishment of the stock company incorporated by the consolidation-type merger, are to become holders of the latter company's share options as set forth in item (xii), (a) of the same paragraph, pursuant to the provisions of the merger agreement on the particulars listed in item (xiii) of the same paragraph.

(Registration of Merger)

Article 169-5 (1) If a mutual company or stock company has undergone an absorption-type merger, the company must make, at the location of its principal office or head office, a registration of dissolution for the absorbed company and a registration of change for the company surviving the absorption-type merger, within two weeks from the date on which the merger took effect.

- (2) If two or more mutual companies or stock companies are involved in a consolidation-type merger, they must complete, at the locality of their principal offices or head offices, registrations of dissolution for the consolidated companies and a registration of incorporation for the incorporated company, within two weeks from the date specified in each of the following items in accordance with the categories provided therein:
 - (i) if the consolidated companies only include stock companies, any of the following dates, whichever is the latest:
 - (a) the date of the resolution at the shareholders' meeting set forth in Article 165-3, paragraph (1);
 - (b) if a resolution of the class meeting is required for the merger, the date of the resolution;
 - (c) the day on which 20 days have elapsed since a notice under Article 165-4, paragraph (1) or a public notice under paragraph (2) of the same Article was given;
 - (d) the date of completion of the procedure set forth in Article 165-7; or

- (e) any date fixed by the consolidated companies in an agreement;
 - (ii) if the consolidated companies only include mutual companies, any of the following dates, whichever is the latest:
 - (a) the date of the resolution of the general meeting of members set forth in Article 165-16, paragraph (1);
 - (b) the date of completion of the procedure set forth in Article 165-17; or
 - (c) any date fixed by the consolidated companies in an agreement; or
 - (iii) if the consolidated companies include a stock company and a mutual company, any of the date specified in the preceding two items, whichever is the latest.
- (3) In the cases prescribed in the preceding two paragraphs, the mutual company or stock company must also complete the registrations set forth in the applicable provisions at the locality of its branch offices or secondary offices, within three weeks from the date specified in the applicable provisions; provided, however, that a registration of change under paragraph (1) is only to be made if the change affects any of the particulars listed in the items of Article 930, paragraph (2) (Registration at Location of Branch Offices) of the Companies Act (including as applied mutatis mutandis pursuant to Article 64, paragraph (3)).

(Application for Registration of Merger)

- Article 170 (1) The following documents must be attached to a written application for registration of change due to a merger under Article 159, paragraph (1) and Article 165-23, in addition to the documents set forth in Articles 18 and 19 (Documents to be Attached to Written Application) and Article 46 (General Provisions on Attached Documents) of the Commercial Registration Act (including as applied mutatis mutandis pursuant to Article 67), and Article 80 (Registration of Absorption-Type Merger) of that Act (including as applied mutatis mutandis pursuant to paragraph (3)):
- (i) a document certifying that a public notice has been given under Article 165-7, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-12), Article 165-17, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-20) or Article 165-24, paragraph (2);
 - (ii) for a dissolving stock company or stock company surviving an absorption-type merger, a document certifying that the number of the policyholders who raised their objections within the period set forth in Article 165-7, paragraph (2), item (iv) (including as applied mutatis mutandis pursuant to Article 165-12) has not exceeded one fifth of the total number of policyholders set forth in Article 70, paragraph (6) (including as applied following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2) (hereinafter referred to as "the cases of application following the deemed

- replacement of terms pursuant to the provisions of Article 255, paragraph (2)" in this item); hereinafter the same applies in this item) as applied mutatis mutandis pursuant to Article 165-7, paragraph (4) (including as applied mutatis mutandis pursuant to Article 165-12; hereinafter the same applies in this item) (or, in the cases of application following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2), one tenth of the total number), or a document certifying that the amount of credits specified by Cabinet Office Order set forth in Article 70, paragraph (6) as applied mutatis mutandis pursuant to Article 165-7, paragraph (4) as belonging to the policyholders has not exceeded one fifth (or, in the cases of application following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2), one tenth) of the total amount set forth in Article 70, paragraph (6) as applied mutatis mutandis pursuant to Article 165-7, paragraph (4);
- (iii) for a dissolving mutual company or a mutual company surviving an absorption-type merger, a document certifying that the number of the policyholders who raised their objections within the period set forth in Article 165-17, paragraph (2), item (iii) (including as applied mutatis mutandis pursuant to Article 165-20) has not exceeded one fifth of the total number of policyholders set forth in Article 88, paragraph (6) (including as applied following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2) (hereinafter referred to as "the cases of application following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2)" in this item); hereinafter the same applies in this item) as applied mutatis mutandis pursuant to Article 165-17, paragraph (4) (including as applied mutatis mutandis pursuant to Article 165-20; hereinafter the same applies in this item) (or, in the cases of application following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2), one tenth of the total number), or a document certifying that the amount of credits specified by Cabinet Office Order set forth in Article 88, paragraph (6) as applied mutatis mutandis pursuant to Article 165-17, paragraph (4) as belonging to the policyholders has not exceeded one fifth (or, in the cases of application following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2), one tenth) of the total amount set forth in Article 88, paragraph (6) as applied mutatis mutandis pursuant to Article 165-17, paragraph (4);
- (iv) for a merging company under the Companies Act, a document certifying that the number of the policyholders who raised their objections within the period set forth in Article 165-24, paragraph (2), item (iv) has not exceeded one fifth of the total number of policyholders set forth in paragraph (6) of the

- same Article (including as applied following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2) (hereinafter referred to as "the cases of application following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2)" in this item); hereinafter the same applies in this item) (or, in the cases of application following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2), one tenth of the total number), or a document certifying that the amount of credits specified by Cabinet Office Order set forth in Article 165-24, paragraph (6) as belonging to the policyholders has not exceeded one fifth (or, in the cases of application following the deemed replacement of terms pursuant to the provisions of Article 255, paragraph (2), one tenth) of the total amount set forth in that paragraph; and
- (v) a document certifying the public notice made pursuant to the provisions of Article 254, paragraph (3).
- (2) The documents listed in the items of the preceding paragraph must be attached to a written application for registration of incorporation due to a merger under Article 159, paragraph (1) and Article 165-23, in addition to the documents set forth in Articles 18, 19, and 46 of the Commercial Registration Act (including as applied *mutatis mutandis* pursuant to Article 67), and Article 81 (Registration of Consolidation-Type Merger) of that Act (including as applied *mutatis mutandis* pursuant to the following paragraph).
- (3) The provisions of Articles 79 through 83 (Registration of Merger) of the Commercial Registration Act apply *mutatis mutandis* to a registration pertaining to a mutual company. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Actions to Invalidate a Merger)

Article 171 The provisions of Article 828, paragraph (1) (limited to the part involving items (vii) and (viii)) and paragraph (2) (limited to the part involving items (vii) and (viii)) (Actions to Invalidate Acts Concerning the Organization of a Company), Article 834 (limited to the part involving items (vii) and (viii)) (Defendant), Article 835, paragraph (1) (Jurisdiction over Actions), Articles 836 to 839 (Order to Provide Security, Mandatory Consolidation of Oral Arguments, etc., Persons Affected by a Judgment Being Upheld, Effects of a Judgment of Invalidity, Revocation or Rescission), Article 843 (excluding paragraph (1), items (iii) and (iv), and the proviso to paragraph (2)) (Effects of a Judgment of Invalidity of a Merger), Article 846 (Liability for Damages If a Judgment Is Entered Against the Plaintiff), and Article 937, paragraph (3) (limited to the part involving items (ii) and (iii)) and paragraph (4) (Commissioning of Registration by a Judicial Decision) of the Companies Act apply *mutatis mutandis* to an action to invalidate a merger under Article 159, paragraph (1);

and the provisions of Article 868, paragraph (6) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (2) (limited to the part involving item (vi)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and other procedures), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and other procedures), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply mutatis mutandis to an application under Article 843, paragraph (4) of that Act as applied mutatis mutandis pursuant to this Article. In this case, the term "members, etc." in Article 828, paragraph (2), items (vii) and (viii) of that Act is deemed to be replaced with "members, directors, company auditors or liquidator(s) of a mutual company (in case of a company with an audit and supervisory committee, members, directors, or liquidators), or in the case of a company with a nominating committee, etc., members, directors, executive officers or liquidators); any other necessary technical replacement of terms is specified by Cabinet Order.

Article 172 Deleted

Article 173 Deleted

Section 3 Company Split

(Split of Stock Company Conducting Insurance Business)

Article 173-2 If a stock company that conducts insurance business (hereinafter referred to as "stock insurance company" in this Section) has its insurance contracts succeeded to in a company split (hereinafter referred to as "split" in this Section), it may stipulate in the relevant incorporation-type company split plan or absorption-type split contract (hereinafter referred to as "split plan, etc.") minor changes to the provisions of the insurance contract to be succeeded to in the split (referred to as "insurance contracts subject to split" in Article 173-5, paragraph (1)), so long as the changes are not disadvantageous to the policyholders.

(Keeping and Inspection of Documents Pertaining to a Split)

Article 173-3 For the purpose of applying the provisions of Article 782, paragraph (1) (Keeping and Inspection of Documents Related to an Absorption-Type Merger Agreement), Article 794, paragraph (1) (Keeping and Inspection of Documents Related to an Absorption-Type Merger Agreement) and Article 803,

paragraph (1) (Keeping and Inspection of Documents Related to a Consolidation-Type Merger Agreement, etc.) of the Companies Act to a stock insurance company involved in a split, the phrases "particulars prescribed by Order of the Ministry of Justice" and "head office" in those provisions are deemed to be replaced with "particulars prescribed by Order of the Ministry of Justice and particulars specified by Cabinet Office Order" and "business offices", respectively.

(Objections of Creditors)

Article 173-4 (1) If a stock insurance company becomes a party to the split, the persons listed in the following items may raise their objections to the split to the stock insurance company set forth in each of those items:

(i) policyholders or other creditors (limited to the creditors set forth in Article 789, paragraph (1), item (ii) (Objections of Creditors) of the Companies Act) of a split company in an absorption-type split (meaning a stock company or limited liability company carrying out an absorption-type split; hereinafter the same applies in this Article) that is a stock insurance company: the split company in an absorption-type split;

(ii) policyholders or other creditors of a succeeding company in an absorption-type split (meaning a stock company, general partnership company, limited partnership company or limited liability company assuming, in whole or in part, the rights and obligations of the split company in an absorption-type split with regard to its business; the same applies hereinafter) that is a stock insurance company: the succeeding company in an absorption-type split; and

(iii) policyholders or other creditors (limited to the creditors set forth in Article 810, paragraph (1), item (ii) (Objections of Creditors) of the Companies Act) of a split company in an incorporation-type company split (meaning a stock company or limited liability company carrying out an incorporation-type company split; hereinafter the same applies in this Article) that is a stock insurance company: the split company in an incorporation-type company split.

(2) In the case set forth in the preceding paragraph, a stock insurance company falling under any of the items of that paragraph (hereinafter referred to as "split-involved company" in this Article) must give public notice of the following particulars in the Official Gazette and by the means of public notice prescribed by the split-involved company in its articles of incorporation, and notify each of the known creditors of the relevant particulars (limited to the creditors set forth in Article 789, paragraph (3) or Article 810, paragraph (3) of the Companies Act) (in the case of a split in which the succeeding company succeeds to insurance contracts, persons listed in item (i) or (iii) or the preceding paragraph, who are policyholders pertaining to the insurance

contracts succeeded to in the split and the relevant known creditors); provided, however, that the period set forth in item (iv) may not be shorter than one month:

- (i) the fact that a split will be carried out;
 - (ii) the trade name and address of the companies listed in (a) or (b) in accordance with the categories of split set forth in (a) and (b):
 - (a) in the case of an absorption-type split: the split company in an absorption-type split and the succeeding company in an absorption-type split; or
 - (b) in the case of an incorporation-type split: the split company in an incorporation-type company split and the company incorporated through incorporation-type company split (meaning a stock company, general partnership company, limited partnership company or limited liability company to be incorporated by the split; the same applies in paragraph (1) of the following Article);
 - (iii) the particulars specified by Cabinet Office Order as pertaining to the financial statements of a stock company falling under (a) or (b) of the preceding item;
 - (iv) the fact that policyholders or other creditors of the split-involved company may raise their objections within a certain period of time; and
 - (v) beyond what is set forth in the preceding items, particulars specified by Cabinet Office Order.
- (3) If the policyholders or other creditors have not raised their objections within the period set forth in item (iv) of the preceding paragraph, the policyholders or other creditors are deemed to have approved the merger.
- (4) If any policyholder or other creditors have raised an objection under paragraph (2), item (iv), the split-involved company must make payment or provide equivalent security to the policyholder or other creditor, or entrust equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receive the payment; provided, however, that this does not apply to cases where the split poses no risk of harming the interest of the policyholder or other creditor.
- (5) The provisions of the preceding paragraph do not apply to the policyholders or any rights held by other persons pertaining to insurance contracts (other than right to insurance claims, etc.).
- (6) Any split is invalid if the number of the policyholders who have raised their objections within the period set forth in paragraph (2), item (iv) (excluding the holders of policies under which insurance claims, etc. had already arisen at the time of public notice under paragraph (2) (but limited to those policies that would be terminated with the payment of the insurance claims, etc.); hereinafter the same applies in this paragraph and the following paragraph)

exceeds one tenth (or one fifth, in the case of a split whereby the succeeding company succeeds to all insurance contracts) of the total number of policyholders (limited to those who may raise their objections pursuant to the provisions of paragraph (1)), and the amount specified by Cabinet Office Order as the credits (other than insurance claims, etc.) belonging to the insurance contracts of the policyholders who have raised such objections exceeds one tenth (or one fifth, in case of a split whereby the succeeding company succeeds to all insurance contracts) of the total amount of credits belonging to the policyholders (limited to those who may raise their objections pursuant to the provisions of paragraph (1)).

- (7) A split carried out pursuant to the provisions of the preceding paragraphs are also to be effective against the policyholders who have raised their objections under the preceding paragraph and other persons who hold any right (other than the right to insurance claims, etc.) pertaining to the insurance contracts involving the policyholders.
- (8) Notwithstanding the provisions of paragraph (4), if a split company in an absorption-type split or a split company in an incorporation-type company split (excluding a company implementing a split in which the succeeding company succeeds to all insurance contracts) obtains an authorization under Article 173-6, paragraph (1), and if any policyholder to whom a separate notice must be given under paragraph (2) raised an objection under paragraph (1) and manifested their intention to cancel the contract if the succession of the contract takes place, the company must refund to the relevant policyholder the amount of money reserved for the insured, any unearned premium (meaning the insurance premium paid for that part of the period of insurance stipulated in an insurance contract which had not lapsed by the time at which the insurance contract was canceled) and any other amount specified by Cabinet Office Order no later than the day immediately before the day of the split.
- (9) Beyond what is provided for in the preceding paragraphs, the necessary particulars for applying those provisions are specified by Cabinet Order.
- (10) The provisions of Article 789 and Article 799 (Objections of Creditors) and Article 810 of the Companies Act do not apply to a stock insurance company prescribed in paragraph (1), item (i) or (ii).
- (11) For the purpose of applying to the cases set forth in paragraph (1), the provisions of Article 759, paragraphs (2) and (3) (Effectuation of an Absorption-Type Company Split Which Causes a Stock Company to Succeed to Rights and Obligations), Article 761, paragraphs (2) and (3) (Effectuation of an Absorption-Type Company Split Which Causes a Membership Company to Succeed to Rights and Obligations), Article 764, paragraphs (2) and (3) (Effectuation of an Incorporation-Type Company Split by Which a Stock Company is Incorporated), and Article 766, paragraphs (2) and (3)

(Effectuation of an Incorporation-Type Company Split by Which a Membership Company is Incorporated), Article 791, paragraph (1), item (i) (Keeping and Inspection of Documents Related to an Absorption-Type Company Split or Share Exchange), Article 801, paragraph (2) (Keeping and Inspection of Documents Related to an Absorption-Type Merger) and Article 811, paragraph (1), item (i) (Keeping and Inspection of Documents Related to an Incorporation-Type Company Split or Share Transfer) of the Companies Act, the phrase "objections pursuant to the provisions of Article 789, paragraph (1), item (ii) (including as applied mutatis mutandis pursuant to Article 793, paragraph (2); the same applies in the following paragraph)" in Article 759, paragraph (2) and Article 761, paragraph (2) of that Act is deemed to be replaced with "objections pursuant to the provisions of Article 789, paragraph (1), item (ii) (including as applied mutatis mutandis pursuant to Article 793, paragraph (2); the same applies in the following paragraph) or the provisions of Article 173-4, paragraph (1) of the Insurance Business Act"; the phrase "individual notification under Article 789, paragraph (2) (excluding item (iii) and including as applied mutatis mutandis pursuant to Article 793, paragraph (2); the same applies hereinafter in this paragraph and the following paragraph)" in Article 759, paragraph (2) and Article 761, paragraph (2) of that Act is deemed to be replaced with "individual notification under Article 789, paragraph (2) (excluding item (iii) and including as applied mutatis mutandis pursuant to Article 793, paragraph (2); the same applies hereinafter in this paragraph as well as in the following paragraph) or under Article 173-4, paragraph (2) of the Insurance Business Act"; the phrase "objections pursuant to the provisions of Article 810, paragraph (1), item (ii) (including as applied mutatis mutandis pursuant to Article 813, paragraph (2); the same applies in the following paragraph)" in Article 764, paragraph (2) and Article 766, paragraph (2) of that Act is deemed to be replaced with "objections pursuant to the provisions of Article 810, paragraph (1), item (ii) (including as applied mutatis mutandis pursuant to Article 813, paragraph (2); the same applies in the following paragraph) or the provisions of Article 173-4, paragraph (1) of the Insurance Business Act"; the phrase "limited to a creditor to whom the separate notice set forth in Article 789, paragraph (2) (excluding item (iii) and including as applied mutatis mutandis pursuant to Article 793, paragraph (2); hereinafter the same applies in this paragraph and the following paragraph) is given" in Article 764, paragraph (2) and Article 766, paragraph (2) of that Act is deemed to be replaced with "limited to a creditor to whom the separate notice set forth in Article 789, paragraph (2) (excluding item (iii) and including as applied mutatis mutandis pursuant to Article 793, paragraph (2); hereinafter the same applies in this paragraph and the following paragraph) or under Article 173-4, paragraph (2) of the that Act is given (excluding a policyholders prescribed in

that paragraph)"; the term "individual notification under Article 789, paragraph (2)" in Article 759, paragraph (2) and Article 761, paragraph (2) of that Act is deemed to be replaced with "individual notification under Article 789, paragraph (2) or under Article 173-4, paragraph (2) of that Act"; the term "individual notification under Article 810, paragraph (2)" in Article 764, paragraph (2) and Article 766, paragraph (2) of that Act is deemed to be replaced with "individual notification under Article 810, paragraph (2) or under Article 173-4, paragraph (2) of that Act"; the terms "Article 789, paragraph (1), item (ii)" and "paragraph (2) of the same Article" in Article 759, paragraph (3) and Article 761, paragraph (3) of that Act are deemed to be replaced with "Article 789, paragraph (1), item (ii) or Article 173-4, paragraph (1) of the Insurance Business Act" and "Article 789, paragraph (2) or Article 173-4, paragraph (2) of that Act", respectively; and the terms "Article 810, paragraph (1), item (ii)" and "Article 810, paragraph (2)" in Article 764, paragraph (3) and Article 766, paragraph (3) of that Act are deemed to be replaced with "Article 810, paragraph (1), item (ii) or Article 173-4, paragraph (1) of the Insurance Business Act" and "Article 810, paragraph (2) or Article 173-4, paragraph (2) of that Act", respectively; and the term "Order of the Ministry of Justice" in Article 791, paragraph (1), item (i), Article 801, paragraph (2) and Article 811, paragraph (1), item (i) of that Act is deemed to be replaced with "Cabinet Office Order", respectively.

(12) The provisions of Article 759, paragraphs (2) and (3), Article 761, paragraphs (2) and (3), Article 764, paragraphs (2) and (3), and Article 766, paragraphs (2) and (3) of the Companies Act do not apply to the creditor specified by Cabinet Order, such as a person holding any right pertaining to an insurance contract, a beneficiary of money trust pertaining to the insurance-proceed trust services set forth in Article 99, paragraph (3).

(Contracts in the Course of Split Procedures)

Article 173-5 (1) When a stock insurance company that has its insurance contracts succeeded to in a split concludes an insurance contract subject to a split after the adoption of the resolution of a split, it must inform the person who executes the relevant insurance contract subject to the split of the particulars listed in paragraph (2), items (i) through (iii) of the preceding Article and other particulars specified by Cabinet Office Order, and obtain their approval on becoming a policyholder of the a succeeding company in an absorption-type split or a company incorporated through incorporation-type company split in the case of succession of the relevant insurance contract subject to the split, before the time when the implementation or renunciation of the split is decided.

(2) A person who has given their consent under the preceding paragraph is

deemed not to be a policyholder for the purpose of applying the provisions of the preceding Article.

(Authorization of Split of Stock Insurance Company)

Article 173-6 (1) Any split of a stock insurance company is not effective without the authorization of the Prime Minister.

(2) When an application has been filed for the authorization set forth in the preceding paragraph, the Prime Minister must examine whether it conforms to the following standards:

(i) the split is appropriate in view of the protection of policyholders, etc.;

(ii) if the application for authorization is filed by an insurance company, that the split poses no risk of impeding the appropriate competitive relationship among insurance companies; and

(iii) it is certain that the stock insurance company applying for the authorization is to perform its business in an appropriate, fair, and efficient manner following the split.

(3) The Prime Minister may not approve any application made under paragraph (1) pertaining to a split that involves the succession of insurance contracts of an insurance company, unless the company that succeeds to the insurance contracts is an insurance company.

(Public Notice of a Split)

Article 173-7 (1) A stock insurance company that has its insurance contracts succeeded to in a split, following the split, must give public notice without delay of the fact that its insurance contracts have been succeeded to in the split and other particulars specified by Cabinet Office Order. The same applies where the company has renounced the split.

(2) A stock insurance company that has succeeded to insurance contracts in a split, within three months from the date of the split, must notify the policyholders affected by the succession of insurance contracts in the split thereof (or, if any minor change under Article 173-2 is specified in the split plan, etc. with regard to the insurance contracts succeeded to in the split, of the fact that it has succeeded to the insurance contracts in the split and the content of the minor change).

(3) If a stock insurance company that has its insurance contracts succeeded to in a split has outstanding loans or other claims against policyholders, and the claims are to be assumed by the stock insurance company that succeeds to the insurance contracts under the split plan, etc., a notice in the form of a certificate stating a fixed date under Article 467 (Requirement for Assertion of Assignment of Claims Against Third Parties) of the Civil Code is deemed to have been given to the policyholders if a public notice under the first sentence

of paragraph (1) has been given by way of publication in a daily newspaper that publishes the news on current events. In this case, the date of the public notice is to be the fixed date.

(Registration of a Split)

- Article 173-8 (1) The following documents must be attached to a written application for registration of incorporation due to an incorporation-type split, in addition to the documents specified in Articles 18 and 19 (Documents to be Attached to Written Application), Article 46 (General Provisions on Attached Documents), Article 86 (excluding item (viii)) (Registration of Company Split) and Article 109, paragraph (2) (excluding the part in item (iii) pertaining to the documents listed in Article 86, item (viii) of that Act and including as applied mutatis mutandis pursuant to Article 116, paragraph (1) and Article 125 of that Act) (Registration of Company Split) of the Commercial Registration Act:
- (i) a document certifying that a public notice pursuant to the provisions of Article 173-4, paragraph (2) has been given;
 - (ii) if any policyholder or other creditor has raised their objection under Article 173-4, paragraph (4), a document certifying that the company has made payment or provided equivalent security to the policyholder or other creditor, or entrusted equivalent property to a trust company, etc. for the purpose of ensuring that the policyholder or other creditor receive the payment, or a document certifying that the split poses no risk of harming the interest of the policyholder or other creditor;
 - (iii) a document certifying that the number of policyholders who raised their objections under Article 173-4, paragraph (6) has not exceeded one tenth (or one fifth, in case of a split whereby the succeeding company succeeds to all insurance contracts) of the total number of policyholders, or a document certifying that the amount specified by Cabinet Office Order set forth in that paragraph as the credits belonging to the policyholders has not exceeded one tenth (or one fifth, in case of a split in which the succeeding company succeeds to all insurance contracts) of the total amount set forth in that paragraph.
- (2) The documents listed in the items of the preceding paragraph must be attached to a written application for registration of change due to an absorption-type split carried out by a stock company, general partnership company, limited partnership company, or limited liability company that is the succeeding company in an absorption-type split, in addition to the documents set forth in the following provisions of the Commercial Registration Act: Article 18, Article 19, Article 46, Article 85 (excluding the part involving the documents listed in item (iii) or (viii) of the same Article with regard to a stock insurance company) (Registration of Company Split), Article 93 (General

Provisions on Attached Documents) (including as applied mutatis mutandis pursuant to Articles 111 and 118 of that Act) and Article 109, paragraph (1) (excluding the part in item (ii) involving the documents listed in Article 85, item (viii) of that Act and including as applied mutatis mutandis pursuant to Article 106, paragraph (1) and Article 125 of that Act).

Section 4 Liquidation

(Appointment and Dismissal of Liquidators by the Prime Minister)

- Article 174 (1) The Prime Minister is to appoint liquidators, at the request of interested persons or the Minister of Justice or the Prime Minister's authority, or without any party's request, if an insurance company, etc. has dissolved on the grounds listed in Article 471, item (vi) (Grounds for Dissolution) of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of Article 152, paragraph (1) (including as applied mutatis mutandis pursuant to Article 152, paragraph (2)), or at the request of interested persons or without any party's request if no one is entitled to become a liquidator pursuant to the provisions of Article 180-4, paragraph (1) or under Article 478, paragraph (1) (Assumption of Office of Liquidators) of that Act or if an insurance company, etc. falls under Article 180, item (ii) or under Article 475, item (ii) (Causes of Commencement of Liquidation) of that Act.
- (2) For the purpose of applying the provisions of Article 477, paragraph (4) (Establishment of Structures Other than Shareholders Meetings) of the Companies Act to a stock company that conducts insurance business, the term "large company" in that paragraph is deemed to be replaced with "insurance company or a stock company listed in Article 272-4, paragraph (1), item (i), (b) of the Insurance Business Act".
- (3) The provisions of Article 478, paragraphs (2) through (4) of the Companies Act do not apply to a stock company that conducts insurance business.
- (4) Notwithstanding the provisions of Article 180-4, paragraph (1) or Article 478, paragraph (1) of the Companies Act, the Prime Minister is to appoint liquidators if an insurance company, etc. has dissolved due to the revocation of registration under Article 3, paragraph (1) or a registration under Article 272, paragraph (1).
- (5) The provisions of Article 8-2, paragraph (2) apply mutatis mutandis to the liquidators of a stock company that conducts insurance business.
- (6) For the purpose of applying to a stock company that conducts insurance business, the provisions of Article 331, paragraph (1) (Qualifications of Directors) of the Companies Act as applied mutatis mutandis pursuant to Article 478, paragraph (8) of that Act, the term "an adult ward, a person under

curatorship, or a person who is similarly treated under foreign laws and regulations" in item (ii) of that paragraph is deemed to be replaced with "a person specified by Cabinet Office Order as one who is unable to properly perform their duties due to a mental or physical disorder", and the term "this Act" in item (iii) of that paragraph is deemed to be replaced with "the Insurance Business Act, this Act".

- (7) If the Prime Minister appoints liquidators pursuant to the provisions of paragraph (1), (4) or (9), the Prime Minister may designate from among them a liquidator (hereinafter referred to as "representative liquidator" in this Section) who represents the stock company or mutual company to be liquidated (hereinafter referred to as "insurance company in liquidation, etc." in this Section).
- (8) The liquidators (excluding the persons appointed by the Prime Minister and the liquidators in the case of special liquidation), within two weeks from the date of their assumption of office, must notify the Prime Minister of the following particulars; provided, however, that this does not apply to the cases in which special liquidation has commenced in the meantime:
- (i) grounds for the dissolution (or, for an insurance company in liquidation, etc. falling under Article 180, item (ii) or under Article 475, item (ii) of the Companies Act, that fact) and the date of dissolution; and
 - (ii) the names and addresses of the liquidators.
- (9) In the case of the liquidation of an insurance company, etc. (other than a special liquidation), the Prime Minister may dismiss a liquidator, if they find material grounds for such dismissal. In this case, the Prime Minister may appoint another liquidator.
- (10) For the purpose of applying the provisions of Article 479 (Dismissal of Liquidators) of the Companies Act to the liquidation of a stock company that conducts Insurance Business, the phrase "court pursuant to the provisions of paragraphs (2) through (4) of the preceding Article" in paragraph (1) of that Article is deemed to be replaced with "Prime Minister"; and the term "liquidator" in paragraph (2) of that Article is deemed to be replaced with "liquidator (other than a person appointed by the Prime Minister)".
- (11) The provisions of Article 73, paragraphs (1) and (3) (Registration of Liquidators), and Article 74, paragraph (1) (Registration of Change with Regard to Liquidators) of the Commercial Registration Act (including as applied mutatis mutandis pursuant to Article 183, paragraph (2)) apply mutatis mutandis to a liquidator appointed by the Prime Minister. In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (12) When the Prime Minister, dismisses a liquidator pursuant to the provisions of paragraph (9), the Prime Minister must commission a registration to that effect to the registry office with jurisdiction over the locality of the head office

or principal office of the insurance company in liquidation, etc.

(Remuneration for Liquidators Appointed by the Prime Minister)

Article 175 (1) A liquidator appointed pursuant to the provisions of paragraph (1), (4), or (9) of the preceding Article may receive remuneration from the insurance company in liquidation, etc.

(2) The amount of the remuneration set forth in the preceding paragraph is determined by the Prime Minister.

(Submission of Financial Statements)

Article 176 The liquidators of an insurance company in liquidation, etc. (other than the liquidators in the case of a special liquidation), if the shareholders meeting, etc. has approved the material set forth in Article 492, paragraph (3) (Preparation of Inventory of Property) or Article 497, paragraph (2) (Provision of Balance Sheet to Annual Shareholders' Meeting) (including as applied mutatis mutandis pursuant to Article 180-17), or Article 507, paragraph (3) (Conclusion of Liquidation) (including as applied mutatis mutandis pursuant to Article 183, paragraph (1)) of the Companies Act, must submit the material (or, if the material has been prepared in the form of an electronic or magnetic record or if an electronic or magnetic record has been prepared in lieu of the material, the electronic or magnetic record specified by Cabinet Office Order or a document stating the information contained in the electronic or magnetic record) to the Prime Minister without delay.

(Cancellation of Insurance Contracts after Dissolution)

Article 177 (1) If an insurance company, etc. has dissolved on the grounds listed in Article 471, item (iii) or (vi) (Grounds for Dissolution) of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of Article 152, paragraph (1) (including as applied mutatis mutandis pursuant to Article 152, paragraph (2)) or in Article 152, paragraph (3), item (ii), a policyholder may cancel their insurance contract prospectively.

(2) In the case referred to in the preceding paragraph, an insurance contract that is not canceled by the policyholder pursuant to the provisions of that paragraph is to lose its effect on the day on which three months have elapsed since the date of dissolution.

(3) In the cases set forth in the preceding two paragraphs, the insurance company in liquidation, etc. must refund to the policyholder the amount of money reserved for the insured, any unearned premium (meaning the insurance premium paid for that part of the period of insurance stipulated in an insurance contract which had not lapsed by the time at which the insurance contract was canceled or had lost its effect) and any other amount of money

specified by Cabinet Office Order.

(Permission of Performance during Period for Stating Claims)

Article 178 For the purpose of applying the provisions of Article 500 (Restrictions on Performance of Obligations) of the Companies Act to the liquidation of a stock company that conducts insurance business, the term "court" in paragraph (2) of that Article is deemed to be replaced with "Prime Minister".

(Order for Supervision of Liquidation)

Article 179 (1) In the case of the liquidation of an insurance company, etc. (other than a special liquidation), the Prime Minister may, if they find it necessary, order the insurance company in liquidation, etc. to deposit its properties or to take any other necessary measure for supervising the liquidation.

(2) The provisions of Article 128, paragraph (1), Article 129, paragraph (1), Article 272-22, paragraph (1) and Article 272-23, paragraph (1) apply mutatis mutandis to the case referred to in the preceding paragraph, if the Prime Minister finds it necessary for supervising the liquidation of an insurance company in liquidation, etc.

(Causes of Commencement of Mutual Company's Liquidation)

Article 180 A mutual company must go into liquidation in the following cases, pursuant to the provisions of this Section:

- (i) if the company has dissolved (excluding the cases in which it has dissolved on the grounds listed in Article 471, item (iv) of the Companies Act as applied mutatis mutandis pursuant to Article 152, paragraph (2) and in which it has dissolved as a result of an order commencing bankruptcy proceedings and the bankruptcy proceedings have not been completed); or
- (ii) if a judgment allowing an action to invalidate the company's incorporation has become final and binding.

(Capacity of Mutual Companies in Liquidation)

Article 180-2 A mutual company that goes into liquidation pursuant to the provisions of the preceding Article (hereinafter referred to as a "mutual company in liquidation" in this Section) is deemed to remain in existence until the liquidation is completed, to the extent of the purpose of the liquidation.

(Administrative Organs of Mutual Companies in Liquidation Other than General Meetings and Member Representatives Meetings)

Article 180-3 (1) A mutual company in liquidation must have one or more liquidators and company auditors.

- (2) A mutual company in liquidation may have a board of liquidators or a board of company auditors as prescribed by its articles of incorporation.
- (3) A mutual company in liquidation whose articles of incorporation provide for the establishment of a board of company auditors must also have a board of liquidators.
- (4) For a mutual company in liquidation which was a company with an audit and supervisory committee at the time when it fell under the case listed in the items of Article 180, a director who is an audit and supervisory committee member becomes a company auditor.
- (5) In a mutual company in liquidation that was a company with a nominating committee, etc. when it fell under Article 180, items (i) or (ii), the audit committee members become the company auditors.
- (6) The provisions of Article 51 do not apply to a mutual company in liquidation.

(Assumption of Office of Liquidators)

Article 180-4 (1) The following persons become the liquidators of a mutual company in liquidation:

- (i) directors (unless the company has a person falling under the following item or item (iii));
 - (ii) persons prescribed by the articles of incorporation; and
 - (iii) persons elected by a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting).
- (2) For the purpose of applying the provisions of item (i) of the preceding paragraph to a mutual company in liquidation which was a company with an audit and supervisory committee at the time when it fell under the case listed in the items of Article 180, the term "directors" in that item is deemed to be replaced with "director other than directors who are audit and supervisory committee members".
 - (3) For the purpose of applying the provisions of paragraph (1), item (i) to a mutual company in liquidation that was a company with a nominating committee, etc. when it came to fall under the items of Article 180, the term "directors" in that item is deemed to be replaced with "directors other than audit committee members"
 - (4) Notwithstanding the provisions of Article 53-5, paragraph (3), for a company with a board of company auditors which is a mutual company in liquidation and which was a company with an audit and supervisory committee or a company with a nominating committee, etc. at the time when it has come to fall under the case listed in the items of Article 180, three or more persons must be elected as company auditors, and at least half of those company auditors must be the persons who satisfies all of the following requirements:
 - (i) a person who has not served as a director (excluding an outside director),

accounting advisor (or, if the accounting advisor is a corporation, any member of that corporation who is to carry out duties; the same applies in the following item), executive officer, manager or other employee of the company with an audit and supervisory committee, company with a nominating committee, etc. or its substantive subsidiary companies within ten years before assuming the office;

(ii) in case of a person who served as an outside director or company auditor of the company with an audit and supervisory committee, company with a nominating committee, etc. or its substantive subsidiary companies at any time within ten years before assuming the office, the person has not served as a director (excluding an outside director), accounting advisor, executive officer, manager or other employee of the relevant company with an audit and supervisory committee, company with a nominating committee, etc. or its substantive subsidiary companies within ten years before assuming the office of the outside director or company auditor; and

(iii) the requirement listed in item Article 53-5, paragraph (3), item (iii).

(5) The provisions of Article 8-2, paragraph (2), Article 53 and Article 53-2, paragraph (1) apply mutatis mutandis to the liquidators of a mutual company in liquidation; and the provisions of Article 53-2, paragraph (4) apply mutatis mutandis to the liquidators of a mutual company with a board of liquidators (meaning a mutual liquidating company that has a board of liquidators; hereinafter the same applies in this Section). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Dismissal of Liquidators)

Article 180-5 (1) A liquidator (other than a person appointed by the Prime Minister pursuant to the provisions of Article 174, paragraph (1), (4), or (9)) may be dismissed at any time by a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting).

(2) The court may, if there are material grounds, dismiss a liquidator under the preceding paragraph in response to a petition filed by members representing at least three thousandths (or any smaller proportion prescribed by the articles of incorporation) of all members, or three thousand (or any smaller number prescribed by the articles of incorporation) or more members of the mutual company (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 38, paragraph (1)), who have been members of the mutual company consecutively for the preceding six months (or any shorter period prescribed by the articles of incorporation) (or, in a company with a member representatives meeting, those members or nine (or any smaller number prescribed by the articles of incorporation) or more representative members).

- (3) The provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 870, paragraph (2) (limited to the part involving item (i)) (Hearing of Statements), the main text of Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to a petition under the preceding paragraph; and the provisions of Article 937, paragraph (1) (limited to the part involving item (ii), (e) and item (iii), (a)) (Commissioning of Registration by a Judicial Decision) of that Act apply mutatis mutandis to a judicial decision on the dismissal of a liquidator under paragraph (1). In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (4) The provisions of Article 53-12, paragraphs (1) through (3), and the provisions of Article 868, paragraph (1), Article 870, paragraph (1) (limited to the part involving item (i)), Article 871, Article 872 (limited to the part involving item (iv)), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875, Article 876 and Article 937, paragraph (1) (limited to the part involving item (ii), (b) and (c)) of the Companies Act apply mutatis mutandis to the liquidator set forth in paragraph (1). In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Company Auditor's Term of Office)

Article 180-6 The provisions of Article 53-6 do not apply to the company auditors of a mutual company in liquidation.

(Liquidator's Duties)

Article 180-7 The liquidators of a mutual company in liquidation carries out the following duties:

- (i) completion of pending transactions;
- (ii) collection of debts and performance of obligations; and
- (iii) distribution of residual assets.

(Execution of Business)

Article 180-8 (1) The liquidator is to execute the business of the mutual company in liquidation (other than a mutual company with a board of liquidators; hereinafter the same applies in this Article).

- (2) If a mutual company in liquidation has two or more liquidators, the business of the company is decided by the majority of the liquidators, unless otherwise provided for in the articles of incorporation.
- (3) In the case set forth in the preceding paragraph, the liquidators may not delegate to each liquidator a decision regarding any of the following

particulars:

- (i) appointment or dismissal of a manager;
 - (ii) establishment, relocation, or closure of a secondary office;
 - (iii) particulars listed in the items of Article 298, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1) or Article 49, paragraph (1); or
 - (iv) development of a system to ensure that the liquidators carry out their duties in compliance with the laws and regulations and the articles of incorporation, and any other system required by Cabinet Office Order for ensuring that the business of a mutual company in liquidation is executed in an appropriate manner.
- (4) The provisions of Articles 353 through 356 (Representation of Companies in Actions Between Stock Company and Directors, Apparent Representative Directors, Duty of Loyalty, Restrictions on Competition and Conflicting Interest Transactions), Article 357, paragraphs (1) and (2) (Director's Duty to Report), Article 360, paragraph (1) (Prohibition of Directors' Actions by the Shareholders) and Article 361, paragraphs (1) and (4) (Remuneration for Directors) of the Companies Act apply mutatis mutandis to a liquidator (with regard to the provisions of Article 361 of that Act, other than a liquidator appointed by the Prime Minister pursuant to the provisions of Article 174, paragraph (1), (4) or (9)). In this case, the term "Article 349, paragraph (4)" in Article 353 of that Act is deemed to be replaced with "Article 349, paragraph (4) as applied mutatis mutandis pursuant to Article 180-9, paragraph (5) of the Insurance Business Act"; the term "a representative director" in Article 354 of that Act is deemed to be replaced with "the representative liquidator"; and the terms "shareholders having the shares" and "substantial detriment" in Article 360, paragraph (1) of that Act are deemed to be replaced with "persons who have been members of the company" and "irreparable damage", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

(Representative of Mutual Company in Liquidation)

- Article 180-9 (1) The liquidator is to represent the mutual company in liquidation; provided, however, that this does not apply to cases where the liquidating insurance company appoints a representative liquidator or any other person to act as its representative.
- (2) If a mutual company in liquidation has two or more liquidators referred to in the main text of the preceding paragraph, each of the liquidators are to represent the mutual company in liquidation.
 - (3) A mutual company in liquidation (other than a mutual company with a board of liquidators) may appoint a representative liquidator from among its

liquidators (excluding a person appointed by the Prime Minister pursuant to the provisions of Article 174, paragraph (1), (4) or (9); hereinafter the same applies in this paragraph) in accordance with its articles of incorporation, by mutual vote of the liquidators pursuant to the provisions of its articles of incorporation, or by a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting).

- (4) If a representative director has been appointed, the representative director is to act as the representative liquidator if the directors become the liquidators pursuant to the provisions of Article 180-4, paragraph (1), item (i).
- (5) The provisions of Article 349, paragraphs (4) and (5) (Representatives of Companies) and Article 351 (Measures when Vacancy Arises in Office of Representative Director) of the Companies Act apply mutatis mutandis to the Representative Liquidator of a Mutual Company in Liquidation; the provisions of Article 352 (Authority of Persons Who Perform Duties on Behalf of Directors) of that Act apply mutatis mutandis to a person appointed by a provisional disposition order under Article 56 (Commission of Registration of Provisional Disposition for Stay of Execution of Duties by Representative of Corporations) of the Civil Provisional Relief Act to act for a liquidator or the representative liquidator of a mutual company in liquidation; the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (1) (limited to the part involving item (i)) (Hearing of Statements), Article 871 (Appending of the Reason), Article 872 (limited to the part involving item (iv)) (Immediate Appeal), Article 874 (limited to the part involving items (i) and (iv)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to the liquidator or representative liquidator of a mutual company in liquidation; and the provisions of Article 937, paragraph (1) (limited to the part pertaining to item (ii), (b) and (c)) (Commissioning of Registration by a Judicial Decision) of that Act apply mutatis mutandis to a person who must carry out the duties of the temporary representative liquidator of a mutual company in liquidation. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Commencement of Bankruptcy Proceedings for Mutual Company in Liquidation)

- Article 180-10 (1) If it has become clear that the assets of the mutual company in liquidation are not sufficient to pay its debts in full, the liquidators must immediately file a petition to commence bankruptcy proceedings.
- (2) If a mutual company in liquidation has become subject to an order

commencing bankruptcy proceedings, the liquidators are deemed to have accomplished their duties when they have handed over their affairs to the bankruptcy trustee.

- (3) In the case prescribed in the preceding paragraph, the bankruptcy trustee may recover any payment made to creditors by the mutual company in liquidation.

(Liquidator's Liability for Damages to Mutual Company in Liquidation)

Article 180-11 (1) A liquidator is liable to compensate the mutual company in liquidation for any damage caused by the failure to carry out their duties.

- (2) If a liquidator has carried out the transaction listed in Article 356, paragraph (1), item (i) of the Companies Act in violation of Article 356, paragraph (1) of that Act as applied mutatis mutandis pursuant to Article 180-8, paragraph (4), the amount of the profit gained by the liquidator or any third party from the transaction is presumed to be the amount of the damage set forth in the preceding paragraph.

- (3) Any of the following liquidators are presumed to have failed to carry out their duties if the mutual company in liquidation has suffered any damage from the transaction set forth in Article 356, paragraph (1), item (ii) or (iii) of the Companies Act as applied mutatis mutandis pursuant to Article 180-8, paragraph (4):

- (i) a liquidator falling under Article 356, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 180-8, paragraph (4);
- (ii) a liquidator who decided that the mutual company in liquidation carry out the transaction; or
- (iii) a liquidator who agreed to the board of liquidators' resolution to approve the transaction.

- (4) The provisions of Article 53-34 and the provisions of Article 428, paragraph (1) (Special Provisions on Transactions Carried Out by Directors for Themselves) of the Companies Act apply mutatis mutandis to the liability of a liquidator under paragraph (1). In this case, the term "Article 356, paragraph (1), item (ii) (including as applied mutatis mutandis pursuant to Article 419, paragraph (2))" in Article 428, paragraph (1) of that Act is deemed to be replaced with "Article 356, paragraph (1), item (ii) as applied mutatis mutandis pursuant to Article 180-8, paragraph (4) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Liquidator's Liability for Damages to a Third Party)

Article 180-12 (1) A liquidator of a mutual company in liquidation is liable to compensate a third party for any damage caused by their bad faith or gross negligence in carrying out their duties.

- (2) The provisions of the preceding paragraph are to also apply when the liquidator set forth in that paragraph has acted as follows; provided, however, that this does not apply to cases in which the liquidator has proven that they did not fail to exercise due care in so acting:
- (i) giving false notice with respect to any important particulars of which a notice must be given in soliciting subscribers for corporate bonds (meaning the corporate bonds set forth in Article 61), or including a false detail or record in any material used to explain the mutual company in liquidation's business or other particulars for the purpose of the solicitation;
 - (ii) entering a false statement or record with regard to a material particular that must be stated or recorded in the inventory of property, etc. set forth in Article 492, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 180-17 or the balance sheet and administrative report set forth in Article 494, paragraph (1) of that Act as applied mutatis mutandis pursuant to Article 180-17, or in the annexed detailed statements thereto;
 - (iii) making a false registration; or
 - (iv) giving false public notice.

(Joint and Several Liability of Liquidators and Company Auditors)

Article 180-13 (1) If a liquidator or company auditor is liable to compensate for any damage caused to the mutual company in liquidation or a third party, and the other liquidators or company auditors are also liable to compensate for such damage, the other liquidators or company auditors are to be their joint and several obligors.

- (2) The provisions of Article 430 of the Companies Act as applied mutatis mutandis pursuant to Article 53-36 do not apply to the case set forth in the preceding paragraph.

(Authority of the Board of Liquidators)

Article 180-14 (1) The board of liquidators of a mutual company in liquidation is to be composed of all of its liquidators.

- (2) The board of liquidators carries out the following duties:
- (i) decisions on the execution of business of the mutual company with a board of liquidators;
 - (ii) supervision of the execution of duties by the liquidators; and
 - (iii) appointment and removal of the representative liquidator.
- (3) The board of liquidators must appoint the representative liquidator from among the liquidators; provided, however, that this does not apply when there is another representative liquidator.
- (4) The board of liquidators may remove the representative liquidator that it has appointed or the person who has become the representative liquidator

- pursuant to the provisions of Article 180-9, paragraph (4).
- (5) If the Prime Minister has appointed the representative liquidator of a mutual company in liquidation pursuant to the provisions of Article 174, paragraph (7), the board of liquidators may not appoint or remove the representative liquidator.
- (6) The board of liquidators may not delegate to any liquidator an important decision on the execution of business, including on any of the following particulars:
- (i) the appropriation of and acceptance of assignment of important assets;
 - (ii) borrowing a significant amount of money;
 - (iii) appointment or removal of a manager or any other important employee;
 - (iv) establishment, change, or closure of a secondary office or any other important structure;
 - (v) the particulars specified by Cabinet Office Order as material particulars of the solicitation of subscribers for corporate bonds (meaning the corporate bonds set forth in Article 61), such as the particulars listed in Article 61, item (i); or
 - (vi) development of a system to ensure that the liquidators carry out their duties in compliance with the laws and regulations and the articles of incorporation, and any other system required by Cabinet Office Order for ensuring that the business of a mutual company in liquidation is executed in an appropriate manner.
- (7) The business of a mutual company with a board of liquidators is executed by the following liquidators:
- (i) the representative liquidator in a mutual company in liquidation; or
 - (ii) a liquidator other than the representative liquidator appointed by a resolution of the board of liquidators to execute the business of the mutual company with a board of directors.
- (8) A liquidator listed in the items of the preceding paragraph must report, at least once every three months, the status of execution of their duties to the board of liquidators.
- (9) The provisions of Article 364 (Representation of Company in Actions between Companies with Board of Directors and Directors) and Article 365 (Restrictions on Competition and Transactions with Companies with Board of Directors) of the Companies Act apply mutatis mutandis to a mutual company with a board of liquidators. In this case, the term "Article 353" in Article 364 of that Act is deemed to be replaced with "Article 353 as applied mutatis mutandis pursuant to Article 180-8, paragraph (4) of the Insurance Business Act"; the term "Article 356" in Article 365, paragraph (1) of that Act is deemed to be replaced with "Article 356 as applied mutatis mutandis pursuant to Article 180-8, paragraph (4) of the Insurance Business Act"; and the term "the items of

Article 356, paragraph (1)" in Article 365, paragraph (2) of that Act is deemed to be replaced with "the items of Article 356, paragraph (1) as applied mutatis mutandis pursuant to Article 180-8, paragraph (4) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Operations of the Board of Liquidators)

Article 180-15 The provisions of Part II, Chapter IV, Section 5, Subsection 2 (excluding Article 367, Article 371, paragraphs (3) and (5), Article 372, paragraph (3), and Article 373) (Operations) of the Companies Act apply mutatis mutandis to the operations of the board of liquidators of a mutual company with a board of liquidators; and the provisions of Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 869 (Prima Facie Showing), Article 870, paragraph (2) (limited to the part pertaining to item (i)) (Hearing of Statements), Article 870-2 (Forwarding Copy of Petition and other procedures), the main clause of Article 871 (Appending of the Reason), Article 872 (limited to the part pertaining to item (v)) (Immediate Appeal), Article 872-2 (Forwarding Copy of Petition for Immediate Appeal and other procedures), the main text of Article 873 (Stay of Execution of the Judicial Decision of the Prior Instance), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of that Act apply mutatis mutandis to an application for permission under Article 371, paragraph (2) or (4) of that Act as applied mutatis mutandis pursuant to this Article. In this case, the terms "shareholder" and "at any time during the business hours of a stock company" in Article 371, paragraph (2) (Minutes) of that Act are deemed to be replaced with "member (or representative member, if the company has a member representatives meeting)" and "with the permission of the court", respectively; the term "parent company or subsidiary company" in Article 371, paragraph (6) of that Act is deemed to be replaced with "substantive subsidiary companies as set forth in Article 33-2, paragraph (1) of the Insurance Business Act"; and the term "Article 363, paragraph (2)" in Article 372, paragraph (2) (Omission of report to board of directors) of that Act is deemed to be replaced with "Article 180-14, paragraph (8) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Application of Provisions on Directors)

Article 180-16 For the purpose of applying to a mutual company in liquidation the provisions of Chapter II, Section 2, Subsection 3; Chapter II, Section 2, Subsection 4, Divisions 1 and 2; Article 53-5, paragraph (2); Article 343, paragraphs (1) and (2) of the Companies Act as applied mutatis mutandis

pursuant to Article 53-11; Article 345, paragraph (3) of that Act as applied mutatis mutandis pursuant to Article 345, paragraph (4) of that Act as applied mutatis mutandis pursuant to Article 53-11; Article 359 of that Act as applied mutatis mutandis pursuant to Article 53-15; Chapter II, Section 2, Subsection 4, Division 6; and Article 62-2, the provisions pertaining to a director, representative director, board of directors or mutual company are deemed applicable to a liquidator, representative liquidator, board of liquidators or mutual company with board of liquidators, respectively.

(Inventory of Properties)

Article 180-17 The provisions of Part II, Chapter IX, Section 1, Subsection 3 (excluding Article 496, paragraph (3) and Article 497, paragraph (1), item (iii)) (Inventory of Properties) of the Companies Act apply mutatis mutandis to a mutual company in liquidation. In this case, the terms "the items of Article 489, paragraph (7)" and "the items of Article 475" in Article 492, paragraph (1) (Preparation of Inventory of Property) of that Act are deemed to be replaced with "Article 180-14, paragraph (7), items (i) or (ii) of the Insurance Business Act" and "Article 180, item (i) or (ii) of that Act", respectively; and the term "the items of Article 475" in Article 494, paragraph (1) (Preparation and Retention of Balance Sheet) of that Act is deemed to be replaced with "Article 180, item (i) or (ii) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Order of Disposal of Property)

Article 181 (1) The liquidators of a mutual company in liquidation must perform the obligations, and redeem the funds of the mutual company.
(2) In the case referred to in the preceding paragraph, the funds must not be redeemed prior to the performance of the mutual company's obligations.

(Performance of Obligations)

Article 181-2 The provisions of Part II, Chapter IX, Section 1, Subsection 4 (Performance of Obligations), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 871 (Appending of the Reason), Article 874 (limited to the part pertaining to item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to a mutual company in liquidation. In this case, the term "the items of Article 475" in Article 499, paragraph (1) (Public Notices to Creditors) of that Act is deemed to be replaced with "Article 180, item (i) or (ii) of the Insurance Business Act"; and the term "court" in Article 500, paragraph (2) of that Act is deemed to be replaced with "Prime Minister"; any other

necessary technical replacement of terms is specified by Cabinet Order.

(Distribution of Residual Assets)

Article 182 (1) Unless otherwise provided for in the articles of incorporation, any disposal of the residual assets of a mutual company in liquidation must be made by a resolution of the general meeting (or the member representatives meeting, if the company has such a meeting).

(2) The residual assets of a mutual company in liquidation must be distributed to its members or disposed of in a method that contributes to the protection of policyholders, etc.

(3) Distribution of the residual assets of a mutual company in liquidation to its members must be made in accordance with the members' amount of contribution (meaning the amount calculated pursuant to the provisions of Cabinet Office Order as that part of the profits obtained by investing the insurance premiums paid by the members and the amount of money received as the insurance premiums which have neither been allocated to any payments such as insurance proceeds or refunds, nor to any business or other expenditures (including any refund under Article 177, paragraph (3))).

(4) In disposing the residual assets of a mutual company in liquidation in a method that contributes to the protection of policyholders, etc. pursuant to the provisions of paragraph (2), the amount to be disposed is to be an amount not exceeding the total amount calculated in accordance with Cabinet Office Order set forth in the preceding paragraph for all withdrawing members, pursuant to the provisions of Cabinet Office Order.

(5) The resolution set forth in paragraph (1) must be a resolution under Article 62, paragraph (2).

(6) A resolution under paragraph (1) is to be null and void without the authorization of the Prime Minister.

(Completion of Liquidation Process)

Article 183 (1) The provisions of Article 507 (Conclusion of Liquidation), Article 508 (Retention of Accounting Materials), Article 868, paragraph (1) (Jurisdiction over Non-Contentious Cases), Article 871 (Appending of the Reason), Article 874 (limited to the part involving item (i)) (Restrictions on Appeal), Article 875 (Exclusion from Application of the Provisions of the Non-Contentious Cases Procedures Act) and Article 876 (Supreme Court Rules) of the Companies Act apply mutatis mutandis to a mutual company in liquidation. In this case, the term "the items of Article 489, paragraph (7)" in Article 508, paragraph (1) of that Act is deemed to be replaced with "Article 180-14, paragraph (7), items (i) or (ii) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(2) The provisions of Article 928 (excluding paragraph (2)) (Registration of a Liquidator), Article 929 (limited to the part involving item (i)) (Registration of Completion of Liquidation) and the main text of Article 932 (Registration of a Change, etc. with Regard to a Branch Office) of the Companies Act, and Articles 73 through 75 (Registration of Liquidators, Registration of Change Related to Liquidator, Registration of Completion of Liquidation) of the Commercial Registration Act apply mutatis mutandis to a registration regarding the liquidation of a mutual company. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Application, Mutatis Mutandis, of the Companies Act to the Special Liquidation of a Mutual Company)

Article 184 The provisions of Part II, Chapter IX, Section 2 (excluding Article 522, paragraph (3) and Article 541) (Special Liquidations), Part VII, Chapter II, Section 4 (Action Concerning Special Liquidation), Part VII, Chapter III, Section 1 (excluding Article 868, paragraphs (2) to (6) and Articles 870 through 874) (General Provisions) and Section 3 (excluding Article 879, Article 880, and Article 898, paragraphs (1), (2) and (5)) (Special Provisions on Procedures of Special Liquidation), and Article 938, paragraphs (1) through (5) (Commissioning of Registration by a Juridical Decision Concerning Special Liquidation) of the Companies Act apply mutatis mutandis to a mutual company in liquidation. In this case, the phrase "shareholders who have held, for the consecutive period of the past six months or more (or, if a shorter period is provided for in the articles of incorporation, that period), not less than 3 percent of the voting rights held by all of the shareholders (excluding the shareholders that may not exercise voting rights on all matters on which resolutions can be passed at the shareholders meeting; or, if any proportion less than that is provided for in the articles of incorporation, that proportion) or shareholders who have held, for the consecutive period of the past six months or more (or, if a shorter period is provided for in the articles of incorporation, that period), not less than 3 percent of the issued shares (excluding treasury shares; or, if a lower proportion is provided for in the articles of incorporation, that proportion)" in Article 522, paragraph (1) (Order to Investigate) of that Act is deemed to be replaced with "members representing at least three thousandths (or any smaller proportion prescribed by the articles of incorporation) of all members, or three thousand (or any smaller number prescribed by the articles of incorporation) or more members of the mutual company (or, in a specified mutual company, members equal to or exceeding the number specified by Cabinet Order set forth in Article 38, paragraph (1) of the Insurance Business Act), who have been members of the mutual company consecutively for the preceding six months (or any shorter

period prescribed by the articles of incorporation); the term "assigned claims owed by the liquidating stock company or shares in" in Article 532, paragraph (2) (Remunerations of Supervisors) of that Act is deemed to be replaced with "acquire any claim against"; the term "Chapter VII (excluding Article 467, paragraph (1), item (v))" in Article 536, paragraph (3) (Restrictions on Transfer of Business) of that Act is deemed to be replaced with "Article 62-2 of the Insurance Business Act (excluding paragraph (1), item (iv))"; and the term "Article 492, paragraph (1)" in Article 562 (Report to Creditors' Meeting of the Outcome of Investigations by Liquidators) of that Act is deemed to be replaced with "Article 492, paragraph (1) as applied mutatis mutandis pursuant to Article 180-17 of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

Chapter IX Foreign Insurer

Section 1 General Provisions

(License)

- Article 185 (1) A foreign insurer may, only if it has established a branch office, etc. in Japan (meaning an office in Japan, such as a branch office or secondary office, of the foreign insurer, or the office of a person delegated by the foreign insurer to act as an agent for the underwriting of insurance for the foreign insurer's insurance business in Japan; hereinafter the same applies in this Section through Section 5) and obtained a license of the Prime Minister, conduct insurance business under that license at the branch office, etc., notwithstanding the provisions of Article 3, paragraph (1).
- (2) The license set forth in the preceding paragraph refers to two types of licenses: a foreign life insurance business license and a foreign non-life insurance business license.
- (3) The same person may not obtain both a foreign life insurance business license and a foreign non-life insurance business license.
- (4) The foreign life insurance business license is a license for the business of underwriting the insurance listed in Article 3, paragraph (4), item (i) or a license for the business of underwriting the insurance set forth in items (ii) or (iii) of the same paragraph in addition.
- (5) The foreign non-life insurance business license is a license for the business of underwriting the insurance set forth in Article 3, paragraph (5), item (i) or a license for the business of underwriting the insurance set forth in item (ii) or (iii) of the same paragraph in addition.
- (6) A foreign insurance company, etc., except as otherwise specified by Cabinet Office Order, must conclude, in Japan, an insurance contract pertaining to persons with an address or residence in Japan or property located in Japan, or

vessels or aircraft with Japanese nationality.

(Foreign Insurers without Branch Offices in Japan)

Article 186 (1) A foreign insurer without a branch office, etc. in Japan must not conclude an insurance contract pertaining to any persons with an address or residence in Japan or property located in Japan, or vessels or aircrafts with Japanese nationality (except for insurance contracts specified by Cabinet Order; the same applies in the following paragraph); provided, however, that this does not apply to insurance contracts related to the permission set forth in the same paragraph.

(2) A person that seeks to apply to a foreign insurer without a branch office, etc. in Japan for an insurance contract pertaining to persons with an address or residence in Japan or property located in Japan, or vessels or aircrafts with Japanese nationality, must obtain the permission of the Prime Minister pursuant to the provisions of Cabinet Office Order before making the application.

(3) The Prime Minister must not grant the permission set forth in the preceding paragraph in the case where the insurance contract is found to fall under any of the following items:

- (i) the content of that insurance contract is in violation of laws and regulations or is unfair;
- (ii) in lieu of concluding that insurance contract, it is easy to conclude an insurance contract between insurance companies or foreign insurance companies, etc. which have equivalent or favorable conditions as that insurance contract;
- (iii) the conditions of that insurance contract are significantly less balanced compared to the conditions that are to normally be attached in the case of concluding an insurance contract similar to that contract between insurance companies or foreign insurance companies, etc.;
- (iv) there is a risk of imposing unjustifiable infringement to the interests of the insured and other relevant persons due to the conclusion of that insurance contract; and
- (v) there is a risk of adverse effect to the sound development of the insurance business in Japan or harm to the public interest due to the conclusion of that insurance contract.

(Application Procedures for a License)

Article 187 (1) A foreign insurer that seeks to obtain the license set forth in Article 185, paragraph (1) must submit a written application for a license to the Prime Minister, stating the following particulars:

- (i) the name of the home country of that foreign insurer (meaning the country

- where that foreign insurer started insurance business or the country that enacted laws and regulations in relation to the establishment of a corporation pertaining to that foreign insurer; hereinafter the same applies in this Section through Section 4) and the name or trade name or name of that foreign insurer, address or location of the head office or principal office, and date of commencement or establishment of the insurance business;
- (ii) name and address of the representative person in Japan;
 - (iii) types of license sought; and
 - (iv) principal branch in Japan (meaning the branch office, etc. which the foreign insurer has prescribed as the headquarters of insurance business in Japan; hereinafter the same applies in this Section through Section 4).
- (2) A certificate proving the following particulars which was issued by the competent organization in the home country must be attached to the written application for a license set forth in the preceding paragraph:
- (i) that the commencement of insurance business of that foreign insurer or the establishment of a corporation pertaining to that foreign insurer was done lawfully; and
 - (ii) that the foreign insurer is lawfully conducting insurance business in its home country that is similar to the insurance business it seeks to conduct in Japan after obtaining that license.
- (3) In addition to what is prescribed in the preceding paragraph, the following documents and other documents specified by Cabinet Office Order must be attached to the written application for a license set forth in paragraph (1):
- (i) articles of incorporation or equivalent documents;
 - (ii) statement of business procedures in Japan;
 - (iii) general policy conditions of the insurance contract concluded in Japan; and
 - (iv) statement of calculation procedures for insurance premiums and policy reserves pertaining to the insurance contract concluded in Japan.
- (4) The documents listed in items (ii) through (iv) of the preceding paragraph must state the particulars specified by Cabinet Office Order.
- (5) The provisions of Article 5 apply mutatis mutandis to cases if an application has been filed for the license set forth in Article 185, paragraph (1). In this case, the term "business of an insurance company" in Article 5, paragraph (1), items (i) and (ii) is deemed to be replaced with "business in Japan of a foreign insurance company, etc.", the term "the preceding Article, paragraph (2), items (ii) and (iii)" in the same paragraph, item (iii) is deemed to be replaced with "Article 187, paragraph (3), items (ii) and (iii)", and the term "the preceding Article, paragraph (2), item (iv)" in the same paragraph, item (iv) is deemed to be replaced with "Article 187, paragraph (3), item (iv)".

(Conditions for a License)

Article 188 (1) The Prime Minister may, in the case where the insurance business that a foreign insurer which applied for a foreign life insurance business license seeks to conduct in Japan only involves the underwriting of insurance contracts in which the insurance proceeds are indicated in a foreign currency and for which the other parties are the persons specified by Cabinet Order, grant a license set forth in Article 185, paragraph (1) with conditions attached to the effect that the foreign insurer may only conduct business that is related to that insurance contract.

(2) The provisions of Article 196 and other provisions specified by Cabinet Order, do not apply to foreign life insurance companies, etc., which obtained the license set forth in Article 185, paragraph (1) attached with conditions set forth in the preceding paragraph; any necessary special measures concerning the application of this Act may be specified by Cabinet Order.

(3) Special measures regarding the application procedures for a license set forth in Article 185, paragraph (1) of a foreign insurer in the case prescribed in paragraph (1) and other necessary particulars involving the application of the provisions of paragraph (1) are specified by Cabinet Order.

(Public Notice of the Prime Minister)

Article 189 When the Prime Minister grants the license set forth in Article 185, paragraph (1), the Prime Minister is to give public notice of the fact and the particulars listed in the items of Article 187, paragraph (1) in the Official Gazette without delay. The same applies if a notification is made under the provisions of Article 209 on the changes of particulars listed in the same paragraph, item (i), (ii), or (iv).

(Deposit)

Article 190 (1) A foreign insurance company, etc. must deposit money to the deposit office closest to the principal branch in Japan in the amount specified by Cabinet Order deemed to be necessary and appropriate to protect policyholders, etc. in Japan.

(2) If the Prime Minister finds it necessary to protect policyholders, etc. in Japan, the Prime Minister may order a foreign insurance company, etc. to deposit money in the amount found to be reasonable, in addition to the amount specified by Cabinet Order of the preceding paragraph, prior to commencing insurance business in Japan.

(3) If a foreign insurance company, etc., pursuant to the provisions of Cabinet Order, concludes a contract pursuant to the provisions of Cabinet Order under which the required deposit will be deposited for that foreign insurance company, etc. at the order of the Prime Minister, and notifies the Prime Minister of this, the relevant foreign insurance company, etc. may choose not to

deposit all or part of the amount set forth in the preceding two paragraphs in the amount that it has been decided will be deposited under that contract while the contract is in effect (hereinafter referred to in this Article as "contract amount").

- (4) If the Prime Minister finds it necessary to protect policyholders, etc. in Japan, the Prime Minister may order persons who have concluded the contract set forth in the preceding paragraph with a foreign insurance company, etc. or that foreign insurance company, etc. to deposit all or part of the amount corresponding to the contract amount.
- (5) A foreign insurance company, etc. must not commence insurance business pertaining to its license unless it has deposited (including the conclusion of the contract set forth in paragraph (3); the same applies in paragraph (8)) the deposit set forth in paragraph (1) (including the following deposit in the case if a company is ordered to deposit the money set forth in paragraph (2) pursuant to the provisions of the same paragraph) and notified the Prime Minister of this.
- (6) Policyholders under insurance contracts in Japan, the insured, or any persons who are to receive insurance proceeds have the right to receive payment ahead of other obligees with regard to the deposit pertaining to that foreign insurance company, etc. concerning claims resulting from an insurance contract.
- (7) The necessary particulars related to the exercise of the rights set forth in the preceding paragraph are specified by Cabinet Order.
- (8) If a deposit amount (including the contract amount) has come short of the amount specified by Cabinet Order which is referred to in paragraph (1) for any reason such as the exercise of the rights set forth in paragraph (6), the foreign insurance company, etc. must deposit the shortfall within two weeks from the date specified by Cabinet Office Order and notify the Prime Minister of this without delay.
- (9) A foreign insurance company, etc. may replace the deposit set forth in paragraph (1), paragraph (2), or the preceding paragraph with national government bond certificates, local government bond certificates, or other securities specified by Cabinet Office Order (including the transfer bonds specified by Article 278, paragraph (1) (Deposit of Transfer Bonds) of the Act on Book-Entry Transfer of Corporate Bonds and Shares; the same applies in Article 223, paragraph (10), Article 272-5, paragraph (9) and Article 291, paragraph (9)).
- (10) A deposit which was deposited pursuant to the provisions of paragraph (1), (2), (4), or (8) may be reclaimed pursuant to the provisions of Cabinet Order in a case falling under any of the following items:
 - (i) if the license set forth in Article 185, paragraph (1) pertaining to that foreign insurance company, etc. is rescinded pursuant to the provisions of

Article 205 or 206; and

(ii) if the license set forth in Article 185, paragraph (1) pertaining to that foreign insurance company, etc. loses its effect pursuant to the provisions of Article 273.

(11) Beyond what is specified in the preceding paragraphs, the necessary particulars of deposits are specified by Cabinet Office Order and Order of the Ministry of Justice.

(Trade Name or Name of a Foreign Insurance Company)

Article 191 The provisions of Article 7, paragraph (2) do not apply to a foreign insurance company, etc.

(Representative Person in Japan)

Article 192 (1) The representative person in Japan of a foreign insurance company, etc. (except for foreign companies prescribed in Article 2, item (ii) (Definitions) of the Companies Act; hereinafter the same applies in this paragraph through paragraph (3)) is to have the authority to take any action in or out of court in connection with the business in Japan of that foreign insurance company, etc.

(2) Restrictions on the right set forth in the preceding paragraph may not be asserted against a third party without knowledge of such restrictions.

(3) A foreign insurance company, etc. is liable to compensate for any damage caused to a third party in connection with representative persons in Japan carrying out their duties.

(4) The representative person in Japan of a foreign insurance company, etc., even after retiring from their posts, is to have rights and duties as the representative person in Japan until the registration of Article 22 (Registration of Manager) of the Commercial Code or Article 933, paragraph (2) (Registration of Foreign Company) of the Companies Act (including as applied mutatis mutandis pursuant to Article 215) regarding the name and address and other locations of the representative person who are to act in their place or public notice under the provisions of the second sentence of Article 189 is made.

(5) The representative person in Japan of a foreign insurance company, etc. must not engage in the day-to-day business of another company, except if authorized by the Prime Minister.

(6) When an application has been filed for the authorization referred to in the preceding paragraph, the Prime Minister may only grant the authorization if the Prime Minister finds that the particulars given in the application are unlikely to interfere with the sound and appropriate business operation of the foreign insurance company, etc. in Japan.

(Foreign Mutual Company)

Article 193 (1) A foreign mutual company must prescribe representative persons in Japan if it seeks to continue conducting transactions in Japan. In this case, at least one of the representative persons in Japan must be a person with an address in Japan.

(2) The provisions of Article 818 (Prohibition of Continuous Transactions Prior to Registration) and Article 819 (Public Notice of What Is Equivalent to a Balance Sheet) of the Companies Act apply mutatis mutandis to a foreign mutual company. In this case, the phrase "foreign company registered as a foreign company (limited to those where the same type of companies or their closest equivalents in Japan are stock companies)" in the same Article, paragraph (1) is deemed to be replaced with "foreign mutual company registered as a foreign mutual company", the term "Article 438, paragraph (2)" in the same Article, paragraph (1) is deemed to be replaced with "Article 54-6, paragraph (2) of the Insurance Business Act", and the term "Article 939, paragraph (1), items (i) or (ii)" in the same Article, paragraph (2) is deemed to be replaced with "Article 217, paragraph (1), item (i) of the Insurance Business Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

Section 2 Business and Accounting

(Development of System for Protecting Customers' Interests)

Article 193-2 (1) When a foreign insurance company, etc., or its parent financial institution, etc. or subsidiary financial institution, etc. conducts any transaction, the foreign insurance company, etc., pursuant to the provisions of Cabinet Office Order, must properly manage the information on business conducted by itself or its subsidiary financial institution, etc. (limited to insurance business and any other business specified by Cabinet Office Order) and develop a system for properly supervising the status of implementation of the relevant business or take any other measures necessary so that the interests of the customer of the relevant business will not be unjustly impaired.

(2) The term "parent financial institution, etc." as used in the preceding paragraph means a person who holds the majority of all shareholders' voting rights in a foreign insurance company, etc. and any other person that is specified by Cabinet Order as being closely related to the relevant foreign insurance company, etc. and which is an insurance company, bank, financial instruments transaction business operator, or any other person conducting financial business that is specified by Cabinet Order.

(3) The term "subsidiary financial institution, etc." as used in paragraph (1) means a person in which a foreign insurance company, etc. holds the majority of all shareholders' voting rights, and any other person that is specified by

Cabinet Order as being closely related to the relevant foreign insurance company, etc. and which is an insurance company, bank, financial instruments transaction business operator, or any other person conducting financial business that is specified by Cabinet Order.

(Transactions with Specially Related Parties)

Article 194 A foreign insurance company, etc. must not conduct any of the following transactions or actions with parties to which it is specially related as specified by Cabinet Order (hereinafter referred to as a "specially related party" in this Article) or a customer of any specially related party; provided, however, that this does not apply where the Prime Minister has approved conducting the transaction or action due to compelling reasons specified by Cabinet Office Order:

- (i) any transaction, such as the purchase and sale of assets, conducted with a specially related party in a branch office, etc. of the foreign insurance company, etc. on significantly different terms and conditions from those applied to normal transactions of the foreign insurance company, etc.; or
- (ii) any transaction or action taken with a specially related party or a customer related to a specially related party in a branch office, etc. of the foreign insurance company, etc. that is equivalent to the transaction listed in the preceding item and specified by Cabinet Office Order as posing a risk to the sound and appropriate management of the insurance business conducted by the foreign insurance company, etc. in Japan.

(Submission of Closing Financial Statements of Head Office or Principal Office)

Article 195 A foreign insurance company, etc., for each business year, must submit to the Prime Minister an inventory of property, balance sheet, profit and loss statement and business report prepared in its head office or principal office, pursuant to the provisions of Cabinet Office Order, within a reasonable period of time following the end of the business year.

(Keeping and Inspection of the Articles of Incorporation)

Article 196 (1) The representative person of a foreign insurance company, etc. in Japan must keep in its principal branch in Japan its articles of incorporation or any other equivalent document (or, for a foreign mutual company, the document and its members list in Japan), or an electronic or magnetic record thereof.

(2) The representative person of a foreign insurance company, etc. in Japan, pursuant to the provisions of Cabinet Office Order, must keep in its principal branch in Japan the document or electronic or magnetic record set forth in the preceding Article for five years from the day following the date of its

submission pursuant to the provisions of that Article.

- (3) The representative person of a foreign insurance company, etc. in Japan, pursuant to the provisions of Cabinet Office Order, must prepare the following documents and their annex detailed statements for each accounting period of the business year in Japan and keep them in its principal branch in Japan for five years from the day following the date of the end of the business year in Japan covered by such accounting:
 - (i) a balance sheet for the insurance business conducted in Japan;
 - (ii) a profit and loss statement for the insurance business conducted in Japan;
 - and
 - (iii) a business report for the insurance business conducted in Japan.
- (4) The documents set forth in the preceding paragraph may be prepared in the form of an electronic or magnetic record.
- (5) The creditors and insured of a foreign insurance company, etc., such as policyholders and beneficiaries of insurance proceeds, may make the following requests at any time during the hours in which the foreign insurance company, etc. should be doing business; provided, however, that they must pay the fees determined by the foreign insurance company, etc. in making a request falling under item (ii) or (iv):
 - (i) if the documents set forth in paragraphs (1) through (3) are prepared in writing, a request to inspect the documents;
 - (ii) a request to be issued a certified copy or extract of the documents referred to in the preceding item;
 - (iii) if the documents set forth in paragraphs (1) through (3) are prepared in the form of an electronic or magnetic record, a request to inspect anything that shows the particulars recorded in the electronic or magnetic record in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic record set forth in the preceding item by the electronic or magnetic means specified by the foreign insurance company, etc., or a request to be issued a document stating the particulars.

(Obligation to Hold Assets in Japan)

Article 197 A foreign insurance company, etc., pursuant to the provisions of Cabinet Office Order, must hold in Japan the assets equivalent to the sum total of the amount calculated pursuant to the provisions of Cabinet Office Order on the basis of the policy reserves and reserves for outstanding claims set aside in Japan pursuant to the provisions of Article 116, paragraph (1) and Article 117, paragraph (1) as applied mutatis mutandis pursuant to Article 199, and the amount specified by Cabinet Office Order as equivalent to equity capital, such as the deposit set forth in Article 190.

(Application, Mutatis Mutandis, of the Companies Act)

Article 198 (1) The provisions of Article 8 (Prohibition of Use of Name that is Likely to be Mistaken for a Company) of the Companies Act apply mutatis mutandis to the use of a trade name or name that is likely to be mistaken for a foreign mutual company; the provisions of Article 9 (Liability of Company Permitting Others to Use Its Trade Name) of that Act apply mutatis mutandis to the name of a foreign mutual company; the provisions of Part I, Chapter III, Section 1 (Employees of a Company) of that Act apply mutatis mutandis to the employees of a foreign mutual company; the provisions of Part I, Chapter III, Section 2 (excluding Article 18) (Commercial Agents of the Companies) of that Act apply mutatis mutandis to a person acting as an agent or intermediary in a transaction for a foreign mutual company; the provisions of Part I, Chapter IV (excluding Article 24) (Non-Competition after Business Transfer) of that Act apply mutatis mutandis to the cases if a foreign mutual company has transferred its business or acquired any business or operation; and the provisions of Article 54, Article 54-2 and Article 54-3, paragraphs (1) and (4) apply mutatis mutandis to the books and other materials of a foreign mutual company. In this case, any technical replacement of terms required is specified by Cabinet Order.

(2) The provisions of Part II, Chapter I (excluding Articles 501 through 503) (General Provisions) of the Commercial Code apply mutatis mutandis to the actions taken by a foreign mutual company; the provisions of Part II, Chapter II (Buying or Selling) of that Code apply mutatis mutandis to buying or selling between a foreign mutual company and a merchant or mutual company (including a foreign mutual company); the provisions of Part II, Chapter III (Current Account) of that Code apply mutatis mutandis to a contract pertaining to set-offs between a foreign mutual company and a person with which it has normal transactions; the provisions of Part II, Chapter V (excluding Article 545) (Brokerage Business) of that Code apply mutatis mutandis to the acting as an intermediary by a foreign mutual company in a commercial transaction between third parties; and the provisions of Part II, Chapter VI (excluding Article 558) (Commission Agent Business) and Article 595 (Duty of Care of Bailees) of that Code apply mutatis mutandis to a foreign mutual company.

(Application, Mutatis Mutandis, of Provisions on Business)

Article 199 The provisions of Article 97, Article 97-2, paragraphs (1) and (2), Article 98, Article 99, paragraph (1), paragraph (2), and paragraphs (4) through (6), Article 100 and Article 100-2 apply mutatis mutandis to the business of the branch offices, etc. of a foreign insurance company, etc.; the

provisions of Article 99, paragraph (3) and paragraphs (7) through (10) apply mutatis mutandis to the business of the branch offices, etc. of a foreign life insurance company, etc.; the provisions of Articles 101 through 105 apply mutatis mutandis to concerted actions taken by a foreign non-life insurance company, etc. with another non-life insurance company (including a foreign non-life insurance company, etc.); the provisions of Article 7-2, Article 100-5, Article 109, Article 110, paragraphs (1) and (3), Article 111, paragraph (1) and paragraphs (3) through (6), Article 112, Articles 114 through 118, and Articles 120 through 122 apply mutatis mutandis to a foreign insurance company, etc.; the provisions of Article 105-2 apply mutatis mutandis to a foreign life insurance company, etc.; and the provisions of Article 105-3 apply mutatis mutandis to a foreign non-life insurance company, etc. In this case, the term "Article 3, paragraph (2)" in Article 97, paragraph (1) is deemed to be replaced with "Article 185, paragraph (2)"; the term "mutual company" in Article 99, paragraph (6) is deemed to be replaced with "foreign mutual company"; the phrase "In the case where the license of Article 3, paragraph (1) of the Insurance Business Act is rescinded pursuant to the provisions of Article 133 or 134 of that Act, or in the case where the license of Article 3, paragraph (1) of that Act loses its effect pursuant to the provisions of Article 273 of that Act" in Article 99, paragraph (8) is deemed to be replaced with "In the case where the license of Article 185, paragraph (1) of the Insurance Business Act is rescinded pursuant to the provisions of Article 205 or 206 of that Act, or in the case where the license of Article 185, paragraph (1) of that Act loses its effect pursuant to the provisions of Article 273 of that Act"; the phrase "Article 3, paragraph (1) of the Insurance Business Act pursuant to the provisions of Article 133 or 134 of that Act" in Article 99, paragraph (8) is deemed to be replaced with "Article 185, paragraph (1) of the Insurance Business Act pursuant to the provisions of Article 205 or 206 of that Act"; the term "Article 111, paragraphs (1) and (2)" in Article 99, paragraph (9) are deemed to be replaced with "Article 111, paragraph (1) as applied mutatis mutandis pursuant to Article 199"; the term "policyholders" in Article 100-5 is deemed to be replaced with "policyholders in Japan"; the term "designated dispute resolution organization for life insurance business" in the items of Article 105-2, paragraph (1), and paragraph (2) and paragraph (3), item (ii) of that Article is deemed to be replaced with "designated dispute resolution organization for foreign life insurance business"; the term "life insurance business" in the items of paragraph (1) of that Article is deemed to be replaced with "foreign life insurance business"; the phrase "designated dispute resolution organization for non-life insurance business" in the items of Article 105-3, paragraph (1), and paragraph (2) and paragraph (3), item (ii) of that Article is deemed to be replaced with "designated dispute resolution organization for foreign non-life

insurance business"; the term "non-life insurance business" in the items of paragraph (1) of that Article is deemed to be replaced with "foreign non-life insurance business"; the term "business year" in Article 109 is deemed to be replaced with "business year in Japan"; the phrase "for each business year, prepare an interim business report and business report stating the status of its business and property" in Article 110, paragraph (1) is deemed to be replaced with "for each business year in Japan, prepare an interim business report and business report describing the status of its business and property in Japan"; the term "for each business year, prepare explanatory documents stating the particulars specified by Cabinet Office Order as pertaining to the status of its business and property" in Article 111, paragraph (1) is deemed to be replaced with "for each business year in Japan, prepare explanatory documents stating the particulars specified by Cabinet Office Order as pertaining to the status of its business and property in Japan"; the phrase "its head office or principal office and its branch offices or secondary offices, or any other equivalent place specified by Cabinet Office Order" in Article 111, paragraphs (1) and (4) is deemed to be replaced with "the branch office of the foreign insurance company, etc. in Japan or any other equivalent place specified by Cabinet Office Order"; the term "business and property of the insurance company and its subsidiary company, etc." in Article 111, paragraph (6) is deemed to be replaced with "business and property of the foreign insurance company, etc. in Japan"; the term "owns" in Article 112, paragraph (1) is deemed to be replaced with "owns in Japan"; the term ", pursuant to the provisions of Cabinet Office Order" in Article 112, paragraph (1) is deemed to be deleted; the term "set aside as a reserve" in Article 112, paragraph (2) is deemed to be replaced with "set aside in Japan as a reserve"; the term "policyholders" in Article 114, paragraph (1) is deemed to be replaced with "policyholders in Japan"; the terms "within its portfolio" and "set aside as price fluctuation reserve" in Article 115, paragraph (1) are deemed to be replaced with "within its portfolio in Japan" and "set aside in Japan as price fluctuation reserve", respectively; the term "shares, etc." in Article 115, paragraph (2) is deemed to be replaced with "shares, etc. in Japan"; the terms "each accounting period", "insurance contracts" and "set aside a certain amount of money" in Article 116, paragraph (1) are deemed to be replaced with "each accounting period of the business year in Japan", "insurance contracts in Japan" and "set aside in Japan a certain amount of money", respectively; the term "funding the policy reserve" in Article 116, paragraph (2) is deemed to be replaced with "funding in Japan the policy reserve"; the term "insurance contract" in Article 116, paragraph (3) is deemed to be replaced with "insurance contract in Japan"; the terms "each accounting period", "insurance contracts", "as expenditure" and "reserves for outstanding claims" in Article 117, paragraph (1) are deemed to be replaced with "each

accounting period of the business year in Japan", "insurance contracts in Japan", "in Japan as expenditure" and "reserves for outstanding claims in Japan", respectively; the terms "insurance contract specified by Cabinet Office Order" and "create" in Article 118, paragraph (1) is deemed to be replaced with "insurance contract in Japan specified by Cabinet Office Order" and "create in Japan", respectively; the terms "board of directors", "life insurance company or a non-life insurance company meeting the requirements specified by Cabinet Office Order", "responsible actuary" and "method of calculating insurance premiums" in Article 120, paragraph (1) are deemed to be replaced with "representative person", "foreign life insurance company, etc. or a foreign non-life insurance company, etc. meeting the requirements specified by Cabinet Office Order", "responsible actuary of the foreign insurance company, etc. in Japan" and "method of calculating the insurance premiums applicable to the insurance contracts concluded in Japan", respectively; the term "responsible actuary" in Article 120, paragraph (2) is deemed to be replaced with "responsible actuary of a foreign insurance company, etc. in Japan"; the terms "insurance company" and "responsible actuary" in Article 120, paragraph (3) are deemed to be replaced with "foreign insurance company, etc." and "responsible actuary in Japan" respectively; the terms "responsible actuary", "each accounting period", and "board of directors" in Article 121 are deemed to be replaced with "responsible actuary of a foreign insurance company, etc. in Japan", "each accounting period of the business year in Japan" and "representative person of the foreign insurance company, etc. in Japan", respectively; and the terms "insurance company" and "responsible actuary" in Article 122 are deemed to be replaced with "foreign insurance company, etc." and "responsible actuary in Japan", respectively.

Section 3 Supervision

(Submission of Reports or Materials)

- Article 200 (1) If the Prime Minister finds it necessary to protect policyholders, etc. in Japan by ensuring the sound and appropriate business operation of a foreign insurance company, etc. in Japan, the Prime Minister may request the foreign insurance company, etc. or a person acting as an agent for the underwriting of insurance prescribed in Article 185, paragraph (1) to submit reports or materials concerning the status of its business in Japan or property of the foreign insurance company, etc.
- (2) If and to the extent that the Prime Minister finds it particularly necessary to protect policyholders, etc. in Japan by ensuring the sound and appropriate business operation of a foreign insurance company, etc. in Japan, the Prime Minister may request a specially related party of the foreign insurance

company, etc. (meaning a specially related party as prescribed in Article 194; the same applies in the following paragraph and the following Article) or person the foreign insurance company, etc. has entrusted with its business in Japan (including persons entrusted from the relevant person (including entrustment at two or more degrees of separation from the original entrustment), and except for the person acting as an agent for the underwriting of insurance set forth in the preceding paragraph; the same applies in the following paragraph), to submit reports or materials that should serve as a reference in understanding the status of the business in Japan or property of the foreign insurance company, etc..

- (3) A specially related party of a foreign insurance company, etc. or person that a foreign insurance company, etc. has entrusted with its business in Japan may refuse to submit reports or materials required under the preceding paragraph if there are legitimate grounds for doing so.

(On-Site Inspection)

Article 201 (1) If the Prime Minister finds it necessary to protect policyholders, etc. in Japan by ensuring the sound and appropriate business operation of a foreign insurance company, etc. in Japan, the Prime Minister may have relevant officials enter a branch office, etc. of the foreign insurance company, etc., ask questions on the status of its business in Japan or property of the foreign insurance company, etc., or inspect books, documents, and any other articles.

- (2) If and to the extent that the Prime Minister finds it particularly necessary in entering a site, asking questions, or conducting an inspection under the preceding paragraph, the Prime Minister may have relevant officials enter a facility of any specially related party of the foreign insurance company, etc. or person the foreign insurance company, etc. has entrusted with its business in Japan (including persons entrusted from the relevant person (including entrustment at two or more degrees of separation from the original entrustment); the same applies in the following paragraph), have such officials question the foreign insurance company, etc. or ask questions about particulars that are necessary for the inspection, or have such officials inspect books, documents, and any other articles.
- (3) A specially related party of a foreign insurance company, etc. or a person that a foreign insurance company, etc. has entrusted with its business in Japan may refuse the questioning and inspection under the provisions of the preceding paragraph if there are legitimate grounds for doing so.

(Standard of Soundness)

Article 202 The Prime Minister may use the following amounts with respect to a

foreign insurance company, etc. and establish whether or not the foreign insurance company, etc. has an appropriate level of solvency in terms of its ability to pay insurance proceeds, etc. as the standard by which the soundness of its business management in Japan is determined:

- (i) total amount of the items specified by Cabinet Office Order, such as the deposit set forth in Article 190; and
- (ii) amount calculated pursuant to the provisions of Cabinet Office Order as the amount for addressing the risks not normally predictable that may occur due to any reasons pertaining to the insurance being underwritten in Japan, such as insured events.

(Order to Change the Particulars Prescribed in Statement of Business Procedures)

Article 203 If and to the extent that the Prime Minister finds it necessary to protect policyholders, etc. in Japan by ensuring the sound and appropriate business operation of a foreign insurance company, etc. in Japan in view of the situation of the business or property of the foreign insurance company, etc. or a change in the circumstances, the Prime Minister may order the foreign insurance company, etc. to change the particulars prescribed in the documents listed in Article 187, paragraph (3), items (ii) through (iv).

(Suspension of Business)

Article 204 (1) If the Prime Minister finds it necessary to protect policyholders, etc. in Japan by ensuring the sound and appropriate business operation of a foreign insurance company, etc. in Japan in view of the status of the business or property of the foreign insurance company, etc., the Prime Minister may request that foreign insurance company, etc. to submit an improvement plan for ensuring soundness in the business operation of that foreign insurance company, etc. in Japan or order a change to the submitted improvement plan by designating the particulars and the due date for which measures must be taken, or, to the extent the Prime Minister finds necessary, the Prime Minister may order the suspension of the whole or part of business of that foreign insurance company by setting a due date or order deposit of property of that foreign insurance company or other measures necessary for the purpose of supervision.

(2) An order under the preceding paragraph (including the request of submission of an improvement plan) that is issued when it is found to be necessary due to the level of solvency of the foreign insurance company, etc. in terms of its ability to pay insurance proceeds, etc. must be an order specified by Cabinet Office Order or Order of the Ministry of Finance in accordance with the category of the level of solvency of the foreign insurance company, etc. in terms

of its ability to pay insurance proceeds, etc.

(Rescission of License)

Article 205 If a foreign insurance company, etc. has come to fall under any of the following items, the Prime Minister may order the full or partial suspension of the business in Japan of the foreign insurance company, etc. or the dismissal of the representative person in Japan, or rescind the license set forth in Article 185, paragraph (1):

- (i) if the company violates laws and regulations (including foreign laws and regulations), the measures of the Prime Minister pursuant to laws and regulations, or particularly material particulars among those prescribed in the documents listed in the items of Article 187, paragraph (3);
- (ii) if the company violates the conditions attached to the license set forth in Article 185, paragraph (1) or the license obtained in its country for insurance business (including any administrative dispositions similar to the license, such as permission or registration; the same applies in Article 209, item (vii)); or
- (iii) if the company performs an act that harms the public interest.

Article 206 If the Prime Minister finds that the situation of the property of a foreign insurance company, etc. has significantly deteriorated and that it is not appropriate for it to continue in the insurance business in Japan from the viewpoint of protecting policyholders, etc. in Japan, the Prime Minister may rescind the license of the foreign insurance company, etc. set forth in Article 185, paragraph (1).

(Mutatis Mutandis Application of Provisions on Supervision)

Article 207 The provisions of Articles 123 through 125 apply mutatis mutandis to a foreign insurance company, etc. In this case, the term "Article 4, paragraph (2), items (ii) through (iv)" in Article 123, paragraph (1) is deemed to be replaced with "Article 187, paragraph (3), items (ii) through (iv)", the term "Article 4, paragraph (2), items (ii) and (iii)" in Article 124, paragraph (1) is deemed to be replaced with "Article 187, paragraph (3), items (ii) and (iii)", the term "Article 5, paragraph (1), item (iii), (a) through (e)" in Article 124, paragraph (1) is deemed to be replaced with "Article 5, paragraph (1), item (iii), (a) through (e) as applied mutatis mutandis pursuant to Article 187, paragraph (5)", the term "Article 4, paragraph (2), item (iv)" in item (ii) of the same Article is deemed to be replaced with "Article 187, paragraph (3), item (iv)", the term "Article 5, paragraph (1), item (iv), (a) through (c)" in item (ii) of the same Article is deemed to be replaced with "Article 5, paragraph (1), item (iv), (a) through (c) as applied mutatis mutandis pursuant to Article 187, paragraph

(5)", and the term "Article 5, paragraph (1), item (iii), (a) through (e) or item (iv), (a) through (c)" in Article 125 is deemed to be replaced with "Article 5, paragraph (1), item (iii), (a) through (e) or item (iv), (a) through (c) as applied mutatis mutandis pursuant to Article 187, paragraph (5)".

Section 4 Discontinuation of Insurance Business

(Discontinuation of Insurance Business in Japan)

Article 208 If a foreign insurance company, etc. seeks to discontinue its insurance business in Japan (excluding the cases falling under paragraph (6) of the following Article), it must obtain authorization from the Prime Minister.

(Notification by a Foreign Insurance Company)

Article 209 If a foreign insurance company, etc. falls under any of the following items, it must notify the Prime Minister of this without delay pursuant to the provisions of Cabinet Office Order:

- (i) it has commenced insurance business in Japan;
- (ii) it has changed any of the particulars listed in Article 187, paragraph (1), item (i), (ii) or (iv), or any of the particulars prescribed by the document listed in Article 187, paragraph (3), item (i);
- (iii) it has changed the amount of its stated capital or contribution, or the total amount of its funds;
- (iv) it has carried out an entity conversion;
- (v) it has merged, had its business succeeded to or succeeded to a business through a company split, or transferred or acquired the whole or a material part of business (other than business that is only related to branch offices, etc.);
- (vi) it has dissolved (for any other reason than a merger) or discontinued its insurance business;
- (vii) it has had its license for insurance business rescinded in its home country;
- (viii) it has become subject to an order commencing bankruptcy proceedings; or
- (ix) it falls under any of the other cases specified by Cabinet Office Order.

(Application, Mutatis Mutandis, of Provisions on Transfers of Insurance Contracts)

Article 210 (1) The provisions of Chapter VII, Section 1 apply mutatis mutandis to the transfer of insurance contracts in Japan by a foreign insurance company, etc. In this case, the term "creditors" in Article 135, paragraph (3) is deemed to be replaced with "creditors of branch offices, etc. set forth in Article 185, paragraph (1)"; the term "transferor company and the transferee company" in Article 136, paragraphs (1) and (3) is deemed to be replaced with "transferee

company"; the phrases "two weeks before the date of the shareholders' meeting, etc. set forth in paragraph (1) of the preceding Article", "written agreement concluded under Article 135, paragraph (1)" and "business offices or offices" in Article 136-2, paragraph (1) are deemed to be replaced with "the date of preparation of the written agreement concluded under Article 135, paragraph (1) (hereinafter referred to as "transfer agreement" in this Section)", "transfer agreement" and "branch offices, etc.", respectively; the term "shareholder or policyholder of the transferor company" in Article 136-2, paragraph (2) is deemed to be replaced with "affected policyholder"; the phrase "resolution set forth in Article 136, paragraph (1)" in Article 137, paragraph (1) is deemed to be replaced with "preparation of the transfer agreement"; the phrases "the time of the adoption of resolution under Article 136, paragraph (1)" and "The transferor company does not conclude any insurance contract that belongs to the same class as the insurance contracts to be transferred, for the period ranging from the time of the adoption of the resolution under Article 136, paragraph (1) to the time of execution or renunciation of the transfer of insurance contracts" in Article 138 are deemed to be replaced with "the time of preparation of the transfer agreement" and "When a transferor company concludes a transferred contract in Japan after the adoption of the resolution under Article 136, paragraph (1), it is to inform the person who executes the relevant transferred contract of the following matters and obtain their approval on becoming a policyholder of the transferee company in case of transfer of the relevant transferred contract, before the time when the implementation or renunciation of transfer of insurance contract is decided", respectively; and the term "creditors" in Article 139, paragraph (2), item (iii) is deemed to be replaced with "creditors of branch offices, etc. set forth in Article 185, paragraph (1)".

- (2) A foreign insurance company, etc. that has transferred all of its insurance contracts in Japan is deemed to have discontinued its insurance business in Japan. In this case, the provisions of Article 208 do not apply.

(Mutatis Mutandis Application of the Provisions on Transfer or Acquisition of Business and on Entrustment of Business and Property Administration)
Article 211 The provisions of Article 142 apply mutatis mutandis to a transfer or acquisition of business in Japan involving foreign insurance companies, etc. as all or part of the parties; and the provisions of Chapter VII, Section 3 apply mutatis mutandis to cases if a foreign insurance company, etc. entrusts the administration of its business and property in Japan. In this case, the phrase "both the insurance company entrusting administration of business (hereinafter referred to as "entrusting company" in this Section) and the entrusted company" in Article 144, paragraph (2) is deemed to be replaced with

"the entrusted company"; the phrase "head office or principal office" in Article 146, paragraph (2) is deemed to be replaced with "principal branch in Japan set forth in that paragraph"; the phrase ", Article 19" in item (iii) of that paragraph is deemed to be replaced with "and Article 19", the phrase "and Article 46 (General Provisions on Attached Documents) of the Commercial Registration Act (including as applied mutatis mutandis pursuant to Article 67)" in Article 146, paragraph (3) is deemed to be replaced with "(including as applied mutatis mutandis pursuant to Article 216, paragraph (1))"; the phrase "entrusting company set forth in Article 144, paragraph (2) of the Insurance Business Act" in Article 148, paragraph (3) is deemed to be replaced with "foreign insurance company, etc. as defined in Article 2, paragraph (7) of the Insurance Business Act that has entrusted the administration of its business and property in Japan"; the term "Article 144, paragraph (1) of the Insurance Business Act" in Article 148, paragraph (4) is deemed to be replaced with "Article 144, paragraph (1) of the Insurance Business Act as applied mutatis mutandis pursuant to Article 211 of that Act"; and the phrase "both the entrusting company and the entrusted company" in Article 149, paragraph (1) is deemed to be replaced with "the entrusted company"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Liquidation of a Foreign Insurance Company)

- Article 212 (1) If a foreign insurance company, etc. falls under any of the following items, it must liquidate all of its property in Japan:
- (i) its license under Article 185, paragraph (1) has been rescinded pursuant to the provisions of Article 205 or 206; or
 - (ii) its license under Article 185, paragraph (1) has lost its effect pursuant to the provisions of Article 273.
- (2) If a foreign insurance company, etc. goes into liquidation pursuant to the provisions of the preceding paragraph, the Prime Minister is to appoint liquidators at the request of any interested person or ex officio. The same applies when the Prime Minister dismisses the liquidators.
- (3) If the Prime Minister dismisses a liquidator pursuant to the provisions of the preceding paragraph, the Prime Minister must commission the registry office with jurisdiction over the principal branch of the foreign insurance company in liquidation, etc. in Japan to make a registration to that effect.
- (4) The provisions of Article 500 (Restrictions on Performance of Obligations) of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of Article 178, and the provisions of Article 476 (Capacity of Liquidating Stock Companies), Part II, Chapter IX, Section 1, Subsection 2 (Structures for Liquidating Stock Companies), Article 492 (Preparation of an Inventory of Property), Part II, Chapter IX, Section 1,

Subsection 4 (excluding Article 500) (Performance of Obligations), Article 508 (Keeping of Accounting Materials), Part II, Chapter IX, Section 2 (excluding Articles 510, 511, and 514) (Special Liquidations), Part VII, Chapter III, Sections 1 (General Provisions) and Section 3 (Special Provisions on Procedures of Special Liquidation) and Article 938, paragraphs (1) to (5) (Commissioning of Registration by a Juridical Decision on Special Liquidation) of that Act apply mutatis mutandis to the liquidation of the property of a foreign insurance company, etc. in Japan under paragraph (1), unless its nature forbids such application. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(5) The provisions of Article 177 apply mutatis mutandis to the liquidation of a foreign insurance company, etc. under paragraph (1); the provisions of Article 175 and Article 179, paragraph (1) apply mutatis mutandis to the liquidation of a foreign insurance company, etc. under paragraph (1) (excluding the cases to which the provisions of Part II, Chapter IX, Section 2 as applied mutatis mutandis pursuant to the preceding paragraph (excluding Articles 510, 511 and 514), Part VII, Chapter III, Sections 1 and 3, and Article 938, paragraphs (1) through (5) of the Companies Act apply; hereinafter the same applies in this paragraph); and the provisions of Article 200, paragraph (1) and Article 201, paragraph (1) apply mutatis mutandis to the liquidation of a foreign insurance company, etc. under paragraph (1) if the Prime Minister finds it necessary for supervising the liquidation of the foreign insurance company in liquidation, etc. In this case, the term "date of dissolution" in Article 177, paragraph (2) is deemed to be replaced with "date of rescission or expiration of the license issued to the foreign insurance company, etc. under Article 185, paragraph (1)"; the term "insurance company in liquidation, etc." in Article 177, paragraph (3) is deemed to be replaced with "foreign insurance company in liquidation, etc."; the terms "paragraph (1), (4) or (9) of the preceding Article" and "insurance company in liquidation, etc." in Article 175 are deemed to be replaced with "Article 212, paragraph (2)" and "foreign insurance company in liquidation, etc.", respectively; and the term "insurance company in liquidation, etc." in Article 179, paragraph (1) is deemed to be replaced with "foreign insurance company in liquidation, etc."; any other necessary technical replacement of terms is specified by Cabinet Order.

(6) The provisions of Article 812 (Resignation of Representatives in Japan Whose Domiciles Are in Japan) of the Companies Act do not apply to a foreign insurance company, etc. (other than a foreign mutual company) that has obtained a license set forth in Article 185, paragraph (1) from the Prime Minister.

(Application, Mutatis Mutandis, of the Companies Act)

Article 213 The provisions of Article 822, paragraphs (1) through (3) (Liquidation of a Foreign Company's Property in Japan), Part VII, Chapter I, Section 2 (Order of Prohibition of Continuous Transactions or Closure of a Business Office of a Foreign Company), Part VII, Chapter III, Sections 1 (General Provisions), Section 4 (Special Provisions on Liquidation Proceedings of a Foreign Company) and Section 5 (Special Provisions on Procedures of a Dissolution Order, etc. for a Company), Article 937, paragraph (2) (Commissioning of Registration by a Judicial Decision), and Article 938, paragraph (6) (Commissioning of Registration by a Juridical Decision Concerning Special Liquidation) of the Companies Act apply *mutatis mutandis* if a foreign mutual company has established a secondary office or other offices in Japan. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

Section 5 Miscellaneous Provisions

(Register)

Article 214 A registry office is to keep a register of foreign mutual companies.

(Application, *Mutatis Mutandis*, of the Companies Act)

Article 215 The provisions of Part VII, Chapter IV, Section 1 (excluding Article 907) (General Provisions), and Article 933 (excluding paragraph (1), item (i) and paragraph (2), item (vii)) (Registration of Foreign Company), Article 934, paragraph (2) (Registration of Appointment of a Representative in Japan), Article 935, paragraph (2) (Registration of the Relocation of the Domicile of a Representative in Japan) and Article 936, paragraph (2) (Registration of Establishment of a Business Office in Japan) of the Companies Act apply *mutatis mutandis* to the registration of a foreign mutual company. In this case, the term "this Act" in Part VII, Chapter IV, Section 1 (excluding Article 907) of that Act is deemed to be replaced with "the Insurance Business Act and this Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Application, *Mutatis Mutandis*, of the Commercial Registration Act)

Article 216 The provisions of Articles 1-3 through 5 (Registry Office, Delegation of Affairs, Suspension of Affairs, Registrar, Disqualification of Registrar), Articles 7 through 15 (Corporate Number, etc., Prohibition on Carrying Out of Registries and Other Documents, Loss and Restoration of Registries, Prevention of Loss of Register, Issuance of Certificate of Registered Matters, Issuance of Documents Specifying Extract of Matters Registered, Inspection of Annexed Documents, Certificate of Seal Impression, Certification of Matters

Required for Verification of Measures to Identify the Creator of Electronic or Magnetic Records and Other Matters, Fees, Registration Upon Application by a Relevant Party, Registration upon Commission), Article 17, paragraphs (1), (2), and (4) (Method of Application for Registration), Articles 18 through 19-3 (Documents to be Attached to Written Application, Electronic or Magnetic Record to be Attached to Written Application, Special Provisions on Documents to be Attached), Article 20, paragraphs (1) and (2) (Submission of Seal Impression), Articles 21 through 23-2 (Acceptance of Applications, Receipt, Order of Registration, Identify Confirmation by Registrar), Article 24 (excluding items (xi) and (xii)) (Dismissal of Application), Articles 25 to 27 (Registration to be Made after Lapse of Period for Filing Action, Change in Administrative Zone, Prohibition of Registration of Identical Trade Name at Same Location), Article 33 (Cancellation of Registration of Trade Name), Articles 44 and 45 (Registration of Company's Manager), Articles 51 and 52 (Registration of Relocation of Head Office), Article 128 (Applicant), Article 129 (Registration of Foreign Company), Article 130, paragraphs (1) and (3) (Registration of Change), and Articles 132 through 148 (Correction, Application for Cancellation, Ex Officio Cancellation, Exclusion from Application of the Administrative Procedure Act, Exclusion from Application of the Act on Access to Information Held by Administrative Organs, Request for Review, Handling of Request of Review Case, Exclusion from Application of the Administrative Appeal Act, Delegation to Order of the Ministry) of the Commercial Registration Act apply mutatis mutandis to a registration regarding a foreign mutual company. In this case, the phrase "or the particulars that are required to be stated in a written application pursuant to the provisions of the preceding paragraph" in Article 17, paragraph (4) of that Act is deemed to be deleted; the term "preceding two paragraphs" in Article 17, paragraph (4) of that Act is deemed to be replaced with "that paragraph"; the term "head office" in Article 51, paragraph (1) of that Act is deemed to be replaced with "office in Japan"; the term "a foreign company under Article 933, paragraph (1) of the Companies Act" in Article 129, paragraph (1) of that Act is deemed to be replaced with "the establishment of an office of a foreign mutual company"; the phrase "the company has designated its representative person in Japan or established a business office in Japan" in Article 129, paragraph (3) of that Act is deemed to be replaced with "the company has established an office in Japan"; and the phrases "for registration under the preceding two paragraphs", "registration has been made under the preceding two paragraphs" and "documents set forth in the preceding two paragraphs" in Article 130, paragraph (3) of that Act are deemed to be replaced with "for registration under the preceding paragraph", "registration has been made under that paragraph" and "document set forth in that paragraph", respectively; any other necessary technical replacement of

terms is specified by Cabinet Order.

(Method of Public Notice by a Foreign Insurance Company)

Article 217 (1) A foreign insurance company, etc. (limited to a foreign company or foreign mutual company; the same applies in the following paragraph and paragraph (3)) must designate any of the following means as its means of public notice:

(i) publication in a daily newspaper that publishes the news on current events;

or

(ii) electronic public notice.

(2) If a foreign insurance company, etc. designates the method listed in item (ii) of the preceding paragraph as its means of public notice, it is sufficient for the company to prescribe that electronic public notice is to be its means of public notice. In this case, the company may designate the method listed in item (i) of that paragraph as the means of public notice to be adopted where it is unable to give an electronic public notice due to an accident or any other unavoidable circumstances.

(3) The provisions of Article 940, paragraph (1) (excluding items (i) and paragraph (3) (Public Notice Period of Electronic Public Notice), Article 941 (Electronic Public Notice Investigation), Article 946 (Obligation of Investigation), Article 947 (Cases If an Electronic Public Notice Investigation Is Unable to Be Carried Out), Article 951, paragraph (2) (Keeping and Inspection of Financial Statements), Article 953 (Order for Improvement), and Article 955 (Statements in an Investigation Record Book, etc.) of the Companies Act apply mutatis mutandis if a foreign insurance company, etc. gives public notice under this Act or any other law in the form of an electronic public notice. In this case, the terms "Article 440, paragraph (1)" and "annual shareholders' meeting" in Article 940, paragraph (1), item (ii) of that Act are deemed to be replaced with "Article 819, paragraph (1) as applied mutatis mutandis pursuant to Article 193, paragraph (2) of the Insurance Business Act" and "procedure" respectively; the term "the preceding two paragraphs" in Article 940, paragraph (3) of that Act is deemed to be replaced with "paragraph (1)"; and the phrase "public notice under this Act or any other Act (excluding the public notice under Article 440, paragraph (1))" in Article 941 of that Act is deemed to be replaced with "public notice under the Insurance Business Act (excluding the public notice under Article 819, paragraph (1) as applied mutatis mutandis pursuant to Article 193, paragraph (2) of that Act"; any other necessary technical replacement of terms is specified by Cabinet Order.

(4) The method of public notice by a foreign insurance company, etc. (other than a foreign company or foreign mutual company) is to be a publication in a daily newspaper that publishes the news on current events.

(Notification of Establishment of a Representative Office in a Foreign State)

Article 218 (1) If a foreign insurer who does not have a license as set forth in Article 185, paragraph (1) falls under any of the following items and if item (i) applies, the insurer must notify the Prime Minister of this and the content of the business, the location of the offices conducting the business and any other particular specified by Cabinet Office Order in advance and, if items (ii) through (iv) applies, the insurer must notify the Prime Minister of this without delay:

(i) the insurer seeks to establish a resident office in a foreign state or any other office in Japan to conduct any of the following business (including the cases in which it seeks to conduct such business in an office that has been established for other purposes):

(a) collection or provision of information regarding the insurance business; or

(b) any other business related to the insurance business;

(ii) the insurer has abolished the office set forth in the preceding item;

(iii) the insurer has discontinued the business listed in item (i), (a) or (b) that were provided at the office set forth in that item; or

(iv) the insurer has changed any of the particulars for which it has provided notification under item (i).

(2) If the Prime Minister finds it necessary for the public interest, the Prime Minister may request the foreign insurer set forth in the preceding paragraph to submit a report or materials concerning the business listed in item (i), (a) or (b) of that paragraph that is conducted at the office set forth in that item.

Section 6 Special Provisions on Specified Corporations

(Licensing)

Article 219 (1) A corporation falling under both of the following items (hereinafter referred to as a "specified corporation" in this Section) may designate a person (hereinafter referred to as "general agent" in this Section) to act as an underwriting agent for those members of the specified corporation who provide insurance underwriting (hereinafter referred to as "underwriting members") for the corporation's insurance business in Japan, or as a business agent for the specified corporation and its underwriting members for the insurance business in Japan, and obtain a license from the Prime Minister for its underwriting members to conduct insurance business in Japan:

(i) the corporation was incorporated under a special foreign law or regulation; and

(ii) pursuant to special provisions of foreign laws or regulations, its members are allowed to conduct insurance business in the relevant foreign state

without obtaining a license for insurance business (including any administrative dispositions similar to such license, such as permission or registration).

- (2) The license set forth in the preceding paragraph is to be in two types: a specified life insurance business license and a specified non-life insurance business license.
- (3) The same specified corporation may not obtain both a specified life insurance business license and a specified non-life insurance business license.
- (4) A specified life insurance business license is a license for underwriting members to underwrite the insurance listed in Article 3, paragraph (4), item (i) as a business undertaking in Japan or, in addition, to underwrite the class of insurance listed in Article 3, paragraph (4), item (ii) or (iii).
- (5) A specified non-life insurance business license is a license for an underwriting member to underwrite the insurance listed in Article 3, paragraph (5), item (i) as a business undertaking in Japan or, in addition, to underwrite the class of insurance listed in Article 3, paragraph (5), item (ii) or (iii).
- (6) The underwriting members of a specified corporation that has obtained a license under paragraph (1) may, notwithstanding the provisions of Article 3, paragraph (1) and Article 185, paragraph (1), conduct insurance business in Japan in the offices of their general agent in accordance with the type of license issued under paragraph (2).

(Application Procedures for a License)

Article 220 (1) A specified corporation that seeks to obtain the license set forth in paragraph (1) of the preceding Article must submit a written application for a license stating the following particulars to the Prime Minister:

- (i) the trade name or name, address of the head office or principal office, and date of the incorporation of the specified corporation;
 - (ii) the name of the country that enacted the law or regulation under which the specified corporation was incorporated (hereinafter referred to as "country with jurisdiction over incorporation" in this Section);
 - (iii) the name and address of the person who represents the specified corporation and its underwriting members in Japan (hereinafter referred to as the "representative person in Japan" in this Section);
 - (iv) the type of license sought; and
 - (v) the principal branch of the specified corporation and its underwriting members in Japan (meaning the head office of the general agent; hereinafter the same applies in this Section).
- (2) A certificate issued by the competent authorities of the country with jurisdiction over incorporation certifying that the specified corporation was incorporated legally and that its underwriting members legally conduct the

same type of insurance business as that which they seek to conduct in Japan, in the country with jurisdiction over incorporation, must be attached to the written application for a license set forth in the preceding paragraph.

- (3) Beyond what is set forth in the preceding paragraph, the following documents and other documents specified by Cabinet Office Order must be attached to the written application for the license referred to in paragraph (1):
- (i) the articles of incorporation of the specified corporation or any other equivalent document;
 - (ii) a statement of business procedures for the business of the underwriting members in Japan;
 - (iii) the general policy conditions for the insurance contracts to be concluded by the underwriting members in Japan;
 - (iv) a statement of calculation procedures for the insurance premiums and policy reserves for the insurance contracts to be concluded by the underwriting members in Japan; and
 - (v) a document indicating the name or trade name, and address or locality of the head office of the person specified by Cabinet Office Order with whom the underwriting members may consult for the purpose of confirming the content of insurance contracts in connection with the underwriting of insurance that they conduct in Japan.
- (4) The documents listed in items (ii) through (iv) of the preceding paragraph must state the particulars specified by Cabinet Office Order.

(Licensing Examination Standards)

Article 221 (1) When an application has been filed for the license set forth in Article 219, paragraph (1), the Prime Minister must examine whether it conforms to the following standards:

- (i) the person that filed the application (hereinafter referred to as "applicant" in this paragraph) has, in view of its personnel structure, etc., the necessary knowledge and experience to carry out the business of the underwriting members in an appropriate, fair, and efficient manner, and has sufficient social credibility;
- (ii) the applicant has sufficient property to ensure the performance of the insurance contract obligations of the underwriting members pursuant to the laws and regulations of the country with jurisdiction over incorporation or the certificate of incorporation of the corporation, and has taken other measures for the protection of policyholders, etc. in a sufficient manner;
- (iii) the prospects of revenues and expenditures for the insurance business the underwriting members are to conduct in Japan are satisfactory;
- (iv) the particulars stated in the documents listed in paragraph (3), item (ii) and (iii) of the preceding Article conform to the standards listed in Article 5,

- paragraph (1), item (iii), (a) through (e); and
- (v) the particulars stated in the documents listed in paragraph (3), item (iv) of the preceding Article conform to the standards listed in Article 5, paragraph (1), item (iv), (a) through (c).
- (2) If and to the extent that the Prime Minister finds it necessary for the public interest in view of standards for examination prescribed in the preceding paragraph, the Prime Minister may impose conditions on the license referred to in Article 219, paragraph (1) or change them.

(Public Notice by the Prime Minister)

Article 222 If the Prime Minister has granted a license under Article 219, paragraph (1), the Prime Minister is to publish that fact and the particulars listed in the items of Article 220, paragraph (1) without delay in the Official Gazette. The same applies if the Prime Minister has been notified pursuant to Article 234 of the changes the particulars listed in Article 220, paragraph (1), item (i), (ii), (iii), or (v).

(Deposits)

- Article 223 (1) A specified corporation that has obtained a license under Article 219, paragraph (1) (hereinafter referred to as a "licensed specified corporation") must deposit the amount of money specified by Cabinet Order as necessary and appropriate for the protection of policyholders, etc. in Japan with the deposit office located nearest to its principal branch in Japan.
- (2) If the Prime Minister finds it necessary for the protection of policyholders, etc. in Japan, the Prime Minister may order a licensed specified corporation to deposit, in addition to the amount of money specified by Cabinet Order set forth in the preceding paragraph, the amount of money that they find appropriate prior to the commencement of insurance business in Japan by its underwriting members.
- (3) If a licensed specified corporation has concluded an agreement stipulating that a required amount of deposit be made for the licensed specified corporation by order of the Prime Minister pursuant to the provisions of Cabinet Order and has notified the Prime Minister of this, it may withhold in whole or in part the deposit under the preceding two paragraphs regarding the amount to be deposited under the agreement (hereinafter referred to as the "contract amount" in this Article), so long as the agreement remains in effect.
- (4) If the Prime Minister finds it necessary for the protection of policyholders, etc. in Japan, the Prime Minister may order a person who has concluded with a licensed specified corporation an agreement as set forth in the preceding paragraph or the licensed specified corporation concerned to make a deposit in an amount corresponding to the whole or a part of the contract amount.

- (5) Underwriting members may not commence insurance business under a license referred to in Article 219, paragraph (1), unless the licensed specified corporation has made the deposit under paragraph (1) (including any deposit made following an order for the deposit of money under paragraph (2) pursuant to the provisions of that paragraph) (including the conclusion of an agreement under paragraph (3); the same applies in paragraph (9)) and has notified the Prime Minister of this.
- (6) The policyholders, insurers, or beneficiaries of insurance contracts concluded by underwriting members in Japan, with regard to any credit arising out of the insurance contracts, are to have priority claims over other creditors on the deposit pertaining to the licensed specified corporation.
- (7) For the purpose of applying the provisions of the preceding paragraph, a licensed specified corporation is deemed to have jointly and severally guaranteed the obligations of its underwriting members under the insurance contracts that they have concluded in Japan.
- (8) The necessary particulars for enforcing a claim under paragraph (6) are specified by Cabinet Order.
- (9) If and when the amount of a deposit (including the contract amount) falls below the amount specified by Cabinet Order set forth in paragraph (1) for reasons such as the enforcement of a claim under paragraph (6), the licensed specified corporation must compensate for the shortfall within two weeks from the date specified by Cabinet Office Order, and notify the Prime Minister to that effect without delay.
- (10) A licensed specified corporation may deposit any of the securities specified by Cabinet Office Order, such as a national government bond or local government bond, in lieu of the deposit set forth in paragraph (1), paragraph (2), or the preceding paragraph.
- (11) The deposit made pursuant to the provisions of paragraph (1), (2), (4), or (9) may be recovered pursuant to the provisions of Cabinet Order, if it falls under any of the following items:
- (i) if the license granted to the licensed specified corporation under Article 219, paragraph (1) is rescinded pursuant to the provisions of Article 231 or 232; or
 - (ii) if the license granted to the licensed specified corporation under Article 219, paragraph (1) loses its effect pursuant to the provisions of Article 236.
- (12) Beyond what is provided for in the preceding paragraphs, necessary particulars of a deposit are specified by Cabinet Office Order or Ministry of Justice Order.

(Notification concerning Underwriting Members Conducting Insurance Business in Japan)

Article 224 (1) A representative person in Japan must notify the Prime Minister

of the names and addresses of the underwriting members who conduct insurance business in Japan, as well as the name or trade name, and address or locality of the head office of the person specified by Cabinet Office Order set forth in Article 220, paragraph (3), item (v) in advance. The same applies to any change in the particular for which notification has been given.

- (2) A representative person in Japan must keep at its principal branch in Japan a list of the underwriting members conducting insurance business in Japan.
- (3) Policyholders and beneficiaries of insurance proceeds in connection with the business of the underwriting members in Japan, and other creditors and insured parties, may make any of the following requests to the general agent at any time during the hours in which the general agent should be doing business; provided, however, that they must pay the fees determined by the general agent in making a request falling under item (ii) or (iv):
 - (i) if the list set forth in the preceding paragraph has been prepared in writing, a request to inspect the document;
 - (ii) a request to be issued a certified copy or extract of the documents referred to in the preceding item;
 - (iii) if the list set forth in the preceding paragraph has been prepared in the form of an electronic or magnetic record, a request to inspect anything that shows the particulars recorded in the electronic or magnetic record in a means specified by Cabinet Office Order; or
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic record set forth in the preceding item by the electronic or magnetic means determined by the general agent, or to be issued a document stating the particulars.

(Changes of Particulars Prescribed in a Statement of Business Procedures)

- Article 225 (1) A licensed specified corporation must obtain authorization from the Prime Minister when it seeks to change any of the particulars prescribed in the documents listed in Article 220, paragraph (3), items (ii) through (iv) (excluding the particulars specified by Cabinet Office Order as posing little risk to the protection of policyholders, etc. in Japan).
- (2) A licensed specified corporation must, when it seeks to change any of the particulars that are prescribed in the preceding paragraph and are specified by Cabinet Office Order set forth in that paragraph, notify the Prime Minister to that effect in advance.
 - (3) The provisions of Article 124 and Article 125 apply mutatis mutandis to the authorization under paragraph (1) and the notification set forth in the preceding paragraph. In this case, the term "Article 4, paragraph (2), items (ii) and (iii)" in Article 124, item (i) is deemed to be replaced with "Article 220, paragraph (3), items (ii) and (iii)"; and the term "Article 4, paragraph (2), item

(iv)" in Article 124, item (ii) is deemed to be replaced with "Article 220, paragraph (3), item (iv)".

(Submission of Reports and Materials)

Article 226 (1) If the Prime Minister finds it necessary for protecting policyholders, etc. in Japan and for ensuring the sound and appropriate business operation of the underwriting members in Japan, the Prime Minister may request the licensed specified corporation, underwriting members, or general agent to submit reports or materials concerning the status of the business or property of the licensed specified corporation or its underwriting members in Japan.

(2) If and to the extent that the Prime Minister finds it particularly necessary for the protection of policyholders, etc. in Japan and for ensuring the sound and appropriate business operation of the underwriting members in Japan, the Prime Minister may request the licensed specified corporation to which the underwriting members belong or a person the underwriting members have entrusted with their business in Japan (including persons entrusted from the relevant person (including entrustment at two or more degrees of separation from the original entrustment), and excluding the underwriting members or general agent; referred to as a "person that a licensed specified corporation, etc. has entrusted with its business" in the following paragraph, and paragraphs (2) and (3) of the following Article) to submit reports or materials that should serve as a reference concerning the status of the business or property of the licensed specified corporation or underwriting members in Japan.

(3) A person that a licensed specified corporation, etc. has entrusted with its business may refuse to submit reports or materials required under the preceding paragraph if there are legitimate grounds for doing so.

(On-Site Inspections)

Article 227 (1) If the Prime Minister finds it necessary for ensuring the sound and appropriate business operation of the underwriting members in Japan and for protecting policyholders, etc. in Japan, the Prime Minister may have relevant officials enter the offices of the general agent, ask questions on the status of the business or property of the licensed specified corporation or its underwriting members, or inspect books, documents, and any other articles.

(2) If and to the extent that the Prime Minister finds it to be particularly necessary in entering a site, asking questions, or conducting an inspection pursuant to the provisions of the preceding paragraph, the Prime Minister may have relevant officials enter the office of a person that the licensed specified corporation, etc. has entrusted with its business, have the officials question the licensed specified corporation or its underwriting members or ask questions

about any particulars that are necessary for their inspection, or have the officials inspect books, documents, or any other articles.

- (3) A person that a licensed specified corporation, etc. has entrusted with its business may refuse the questioning and inspection under the preceding paragraph if there are legitimate grounds for doing so.

(Standard of Soundness)

Article 228 The Prime Minister may use the following amounts with respect to a licensed specified corporation and establish whether or not the underwriting members have an appropriate level of solvency in terms of their ability to pay insurance proceeds, etc. as the standard by which the soundness of the underwriting members' business management in Japan is determined:

- (i) the sum total of the amounts specified by Cabinet Office Order, such as the deposit under Article 223; and
- (ii) an amount calculated pursuant to the provisions of Cabinet Office Order as the amount for addressing the risks not normally predictable that may occur for any reasons pertaining to the insurance underwritten in Japan by the underwriting members, such as the occurrence of insured events.

(Order to Change the Particulars Prescribed in a Statement of Business Procedures)

Article 229 If and to the extent that the Prime Minister finds it necessary for protecting policyholders, etc. in Japan and for ensuring the sound and appropriate business operation of the underwriting members in Japan in view of the status of the business or property of the licensed specified corporation and underwriting members or any changes in the circumstances, the Prime Minister may order the licensed specified corporation to change the particulars prescribed in the documents listed in Article 220, paragraph (3), items (ii) through (iv).

(Suspension of Business)

Article 230 (1) If the Prime Minister finds it necessary for protecting the policyholders, etc. in Japan and for ensuring the sound and appropriate business operation of the underwriting members in Japan in view of the status of the business or property of the licensed specified corporation or underwriting members, the Prime Minister may request the licensed specified corporation or underwriting members to submit an improvement plan to ensure the soundness of the business operations of the underwriting members in Japan by indicating the particulars for which measures must be taken as well as a deadline or order change to the submitted improvement plan, or to the extent that the Prime Minister finds necessary, may order the full or partial

suspension of the business in Japan by setting a deadline or order the deposit of property or other measures necessary for supervision.

- (2) An order under the preceding paragraph (including the request for submission of an improvement plan) that is issued when it is found to be necessary due to the underwriting members' level of solvency in terms of their ability to pay insurance proceeds, etc., must be an order specified by Cabinet Office Order or Order of the Ministry of Finance in accordance with the category of the underwriting members' level of solvency in terms of their ability to pay insurance proceeds, etc.

(Rescission of License)

Article 231 The Prime Minister may order the full or partial suspension of business in Japan by the underwriting members or the dismissal of the representative person in Japan, or rescind the license set forth in Article 219, paragraph (1), if a licensed specified corporation or its underwriting member comes to fall under any of the following items:

- (i) the corporation or member violates a law or regulation (including a foreign law or regulation), any measures of the Prime Minister pursuant to a law or regulation, or any of the particularly important particulars prescribed in the documents listed in Article 220, paragraph (3), items (i) through (iv);
- (ii) the corporation or member violates any of the conditions attached to the license; or
- (iii) the corporation or member performs an act that harms the public interest.

Article 232 If the Prime Minister finds that the status of the property of a licensed specified corporation or its underwriting members has significantly deteriorated and that it is not appropriate for the underwriting members to conduct insurance business in Japan from the viewpoint of protecting policyholders, etc. in Japan, the Prime Minister may rescind the license issued to the licensed specified corporation under Article 219, paragraph (1).

(Authorization of Discontinuation of a General Agent)

Article 233 A licensed specified corporation, when it seeks to discontinue its general agent, must obtain authorization from the Prime Minister.

(Notification by Licensed Specified Corporation)

Article 234 If a licensed specified corporation falls under any of the following items, it must notify the Prime Minister of this without delay:

- (i) its underwriting members have commenced their insurance business in Japan;
- (ii) it has changed any of the particulars listed in Article 220, paragraph (1),

- item (i), (ii), (iii) or (v), or any of the particulars provided for in the document listed in Article 220, paragraph (3), item (i);
- (iii) it has carried out an entity conversion;
- (iv) it has transferred all of its business;
- (v) it has been dissolved (for a reason other than a merger);
- (vi) it has become subject to an order commencing bankruptcy proceedings;
- (vii) its underwriting member conducting insurance business in Japan has become subject to an order commencing bankruptcy proceedings; or
- (viii) it falls under any other case specified by Cabinet Office Order.

(Liquidation of Licensed Specified Corporation and Underwriting Members)

Article 235 (1) A licensed specified corporation and its underwriting members, when they fall under any of the following items, must liquidate all of their property in Japan:

- (i) the license issued to the licensed specified corporation under Article 219, paragraph (1) has been rescinded pursuant to the provisions of Article 231 or 232; or
 - (ii) the license issued to the licensed specified corporation under Article 219, paragraph (1) has lost its effect pursuant to the provisions of the following Article.
- (2) The Prime Minister is to appoint liquidators at the request of interested persons or ex officio, if a licensed specified corporation and its underwriting members go into liquidation pursuant to the provisions of the preceding paragraph. The same applies to the dismissal of the liquidators.
- (3) When the Prime Minister dismisses a liquidator pursuant to the provisions of the preceding paragraph, the Prime Minister must commission a registration to that effect to the registry office with jurisdiction over the locality of the principal branch of the liquidating licensed specified corporation and its underwriting members in Japan.
- (4) The provisions of Article 500 (Restrictions on Performance of Obligations) of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of Article 178, and the provisions of Article 476 (Capacity of Liquidating Stock Companies), Part II, Chapter IX, Section 1, Subsection 2 (Structures for Liquidating Stock Companies), Article 492 (Preparation of Inventory of Property), Part II, Chapter IX, Section 1, Subsection 4 (excluding Article 500) (Performance of Obligations), Article 508 (Keeping of Accounting Materials), Part II, Chapter IX, Section 2 (excluding Articles 510, 511, and 514) (Special Liquidations), Part VII, Chapter III, Sections 1 (General Provisions) and Section 3 (Special Provisions on the Procedures of Special Liquidation) and Article 938, paragraphs (1) through (5) (Commissioning of Registration by a Juridical Decision Concerning Special

Liquidation) of that Act apply mutatis mutandis to the liquidation of the property of a licensed specified corporation and its underwriting members pursuant to the provisions of paragraph (1), unless its nature forbids the application. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

- (5) The provisions of Article 177 apply mutatis mutandis to the liquidation of a licensed specified corporation and its underwriting members pursuant to the provisions of paragraph (1); the provisions of Article 175 and Article 179, paragraph (1) apply mutatis mutandis to the liquidation of a licensed specified corporation and its underwriting members pursuant to the provisions of paragraph (1) (excluding the cases to which the provisions of Part II, Chapter IX, Section 2 (excluding Article 510, Article 511, and Article 514), Part VII, Chapter III, Sections 1 and 3, and Article 938, paragraphs (1) through (5) of the Companies Act as applied mutatis mutandis pursuant to the preceding paragraph apply; hereinafter the same applies in this paragraph); and the provisions of Article 226, paragraph (1) and Article 227, paragraph (1) apply mutatis mutandis to the liquidation of a licensed specified corporation and its underwriting members pursuant to the provisions of paragraph (1) if the Prime Minister finds it necessary for supervising the liquidation of the liquidating licensed specified corporation and its underwriting members. In this case, the term "date of dissolution" in Article 177, paragraph (2) is deemed to be replaced with "date of rescission or expiration of the license issued to the licensed specified corporation under Article 219, paragraph (1)"; the term "insurance company in liquidation, etc." in Article 177, paragraph (3) is deemed to be replaced with "liquidating underwriting members"; the terms "paragraph (1), (4), or (9) of the preceding Article" and "insurance company in liquidation, etc." in Article 175 are deemed to be replaced with "Article 235, paragraph (2)" and "liquidating licensed specified corporation and its underwriting members", respectively; and the term "insurance company in liquidation, etc." in Article 179, paragraph (1) is deemed to be replaced with "liquidating licensed specified corporation and its underwriting members"; any other necessary technical replacement of terms is specified by Cabinet Order.

(Expiration of License)

- Article 236 (1) The license set forth in Article 219, paragraph (1) granted by the Prime Minister to a licensed specified corporation is to lose its effect, when the corporation falls under any of the following items:
- (i) all of its underwriting members have discontinued their insurance business in Japan; or
 - (ii) there is no underwriting member that has commenced insurance business in Japan within six months from the date of obtaining the license (excluding

the cases in which the licensed specified corporation has received in advance the approval of the Prime Minister for any compelling reason).

(2) If any of Article 234, items (iv) through (vi) applies and the notification under Article 234 has been made, the license from the Prime Minister to the licensed specified corporation that has made the notification is to lose its effect.

(Public Notice by the Prime Minister)

Article 237 In the following cases, the Prime Minister is to give public notice to that effect in the Official Gazette:

- (i) when the Prime Minister orders suspension of the whole or part of underwriting members' business in Japan pursuant to the provisions of Article 230, paragraph (1) or Article 231, or pursuant to the provisions of Article 240, paragraph (1) as applied pursuant to the provisions of Article 240;
- (ii) when the Prime Minister rescinds the license set forth in Article 219, paragraph (1) pursuant to the provisions of Article 231 or 232;
- (iii) a disposition ordering the administration of business and property by a receiver of an insurer pursuant to the provisions of Article 241, paragraph (1) as applied pursuant to the provisions of Article 240, or any order under Article 258, paragraph (1) as applied pursuant to the provisions of Article 240; and
- (iv) when the license granted under Article 219, paragraph (1) loses its effect pursuant to the provisions of the preceding Article.

(Public Notice)

Article 238 A public notice given by a licensed specified corporation or its underwriting members pursuant to the provisions of this Act must be published in a daily newspaper that publishes the news on current events.

(Notification by General Agent)

Article 239 A person who seeks to act as general agent for a specified corporation that seeks to obtain the license set forth in Article 219, paragraph (1) or the underwriting members of the specified corporation, by the time of application for the license, must notify the Prime Minister of the particulars specified by Cabinet Office Order, such as that fact, the content of its business and the method of managing the property of the underwriting members in Japan. The same applies to any change in a particular with regard to which notification has been given.

(Application of this Act)

Article 240 (1) This Act applies as follows if a specified corporation has obtained

the license set forth in Article 219, paragraph (1):

- (i) for the purpose of applying the provisions of Article 185, paragraph (6); Article 186, paragraph (3); Article 191; Article 197; Article 97, Article 97-2, paragraphs (1) and (2), Articles 98 through 100-2, Article 112, and Articles 114 through 122 as applied mutatis mutandis pursuant to Article 199; Article 210; the following Chapter (excluding Articles 262, 265-2, 265-3, 265-6, and 265-42); the following Part; and Part V and the provisions of Parts VI and VII pertaining to those provisions, the underwriting members of a licensed specified corporation are deemed to be a foreign insurance company, etc., or a foreign life insurance company, etc. or foreign non-life insurance company, etc. in accordance with the type of license issued under Article 219, paragraph (2). In this case, the term "Article 190" in Article 197 is deemed to be replaced with "Article 223"; the term "Article 185, paragraph (2)" in Article 97, paragraph (1) as applied mutatis mutandis pursuant to Article 199 is deemed to be replaced with "Article 219, paragraph (2)"; and the phrases "In the case where the license of Article 185, paragraph (1) of the Insurance Business Act is rescinded pursuant to the provisions of Article 205 or 206 of that Act, or in the case where the license of Article 185, paragraph (1) of that Act loses its effect pursuant to the provisions of Article 273 of that Act" and "Article 185, paragraph (1) of the Insurance Business Act pursuant to the provisions of Article 205 or 206 of that Act" in Article 99, paragraph (8) as applied mutatis mutandis pursuant to Article 199 are deemed to be replaced with "In the case where the license of Article 219, paragraph (1) of the Insurance Business Act is rescinded pursuant to the provisions of Article 231 or 232 of that Act, or in the case where the license of Article 219, paragraph (1) of that Act loses its effect pursuant to the provisions of Article 236 of that Act" and "Article 219, paragraph (1) of the Insurance Business Act pursuant to the provisions of Article 231 or 232 of that Act", respectively;
- (ii) for the purpose of applying the provisions of Articles 101 through 105 (including the penal provisions pertaining to those provisions) as applied mutatis mutandis pursuant to Article 199, the underwriting members of a specified corporation with the specified non-life insurance business license who conduct insurance business in Japan is deemed to be a foreign non-life insurance company, etc.;
- (iii) for the purpose of applying the provisions of Article 195; Article 7-2, Article 110, paragraphs (1) and (3), and Article 111, paragraph (1) and paragraphs (3) through (6) as applied mutatis mutandis pursuant to Article 199; Article 262; Article 265-2; Article 265-3; Article 265-6; and Article 265-42 (including the penal provisions related to those provisions), a licensed specified corporation is deemed to be a foreign insurance company, etc. In this case, the term "inventory of property, balance sheet" in Article 195 is

deemed to be replaced with "balance sheet of the licensed specified corporation and its underwriting members"; the term "its business and property in Japan" in Article 110, paragraph (1) as applied mutatis mutandis pursuant to Article 199 is deemed to be replaced with "the business and property of the licensed specified corporation and its underwriting members in Japan"; the term "its business and property in Japan" in Article 111, paragraph (1) as applied mutatis mutandis pursuant to Article 119 is deemed to be replaced with "the business and property of the licensed specified corporation and its underwriting members in Japan"; the term "the branch office of the foreign insurance company, etc. in Japan or any other equivalent place specified by Cabinet Office Order" in Article 111, paragraphs (1) and (4) as applied mutatis mutandis pursuant to Article 119 is deemed to be replaced with "the head office and branch offices of the general agent set forth in Article 219, paragraph (1) or any other equivalent place specified by Cabinet Office Order"; and the phrase "business and property of the foreign insurance company, etc. in Japan" in Article 111, paragraph (6) as applied mutatis mutandis pursuant to Article 119 is deemed to be replaced with "business and property of the licensed specified corporation and its underwriting members in Japan";

(iii)-2 for the purpose of applying the provisions of Article 105-2 as applied mutatis mutandis pursuant to Article 199, a specified corporation that has obtained a specified life insurance business license is deemed to be a foreign life insurance company, etc. In this case, the phrase "designated dispute resolution organization for foreign life insurance business" in the items of Article 105-2, paragraph (1), and paragraph (2), and paragraph (3), item (ii) of that Article as applied mutatis mutandis pursuant to Article 199 is deemed to be replaced with "designated dispute resolution organization for specified life insurance business"; and the term "foreign life insurance business" in the items of paragraph (1) of that Article is deemed to be replaced with "specified life insurance business";

(iii)-3 for the purpose of applying the provisions of Article 105-3 as applied mutatis mutandis pursuant to Article 199, a specified corporation that has obtained a specified non-life insurance business license is deemed to be a foreign non-life insurance company, etc. In this case, the phrase "designated dispute resolution organization for foreign non-life insurance business" in the items of Article 105-3, paragraph (1), and paragraph (2), and paragraph (3), item (ii) of that Article as applied mutatis mutandis pursuant to Article 199 is deemed to be replaced with "designated dispute resolution organization for specified non-life insurance business"; and the term "foreign non-life insurance business" in the items of paragraph (1) of that Article is deemed to be replaced with "specified non-life insurance business";

- (iv) for the purpose of applying the provisions of Articles 192 and 196 (including the penal provisions related to those provisions), a representative person in Japan is deemed to be the representative person of a foreign insurance company, etc. in Japan. In this case, the phrases "policyholders of a foreign insurance company, etc.", "business of the foreign insurance company, etc." and "the foreign insurance company, etc." in Article 196, paragraph (5) are deemed to be replaced with "policyholders of underwriting members", "business of the general agent" and "the general agent", respectively;
- (v) for the purpose of applying the provisions of Article 109 as applied mutatis mutandis pursuant to Article 199, and Article 142 and Chapter VII, Section 3 as applied mutatis mutandis pursuant to Article 211 (including the penal provisions related to those provisions), a licensed specified corporation and its underwriting members are deemed to be a foreign insurance company, etc.;
- (vi) the provisions of Article 218 do not apply to the underwriting members of a licensed specified corporation.
- (2) For the purpose of applying the laws and regulations specified by Cabinet Order, such as the Act on Compensation for Nuclear Damage (Act No. 147 of 1961), the underwriting members of a licensed specified corporation are deemed, pursuant to the provisions of Cabinet Order, to be a foreign insurance company, etc., or a foreign life insurance company, etc. or foreign non-life insurance company, etc. in accordance with the type of license issued under Article 219, paragraph (2).

Chapter X Special Measures for the Protection of Policyholders

Section 1 Changes to Contract Terms

(Reporting Changes to Contract Terms)

- Article 240-2 (1) An insurance company (including a foreign insurance company, etc.; hereinafter the same applies in this Section, excluding Article 240-5 and Article 240-6) may report to the Prime Minister to the effect that it will change the terms of its contract (hereinafter referred to as "changes to the contract terms" in this Section), such as a reduction in the insurance proceeds and other changes to contract clauses with regard to insurance contracts pertaining to that insurance company (excluding contracts exempt from changes) in the case that there is a probability that the continuation of that insurance company's insurance business (in the case of foreign insurance companies, etc., insurance business in Japan; hereinafter the same applies in this Article, Article 240-11, Article 241, and Article 262) is to be difficult in the view of the state of its business or property.
- (2) In the case that an insurance company makes a report as set forth in the

preceding paragraph, the insurance company must indicate that there is a probability that the continuation of its insurance business is to be difficult unless it makes a change to the contract terms, and that a change to the contract terms is inevitable for the protection of policyholders, etc. (in the case of foreign insurance companies, etc., policyholders, etc. in Japan; hereinafter the same applies in this Chapter), and the reason in writing.

(3) If the Prime Minister finds that there are reasonable grounds in the report set forth in paragraph (1), the Prime Minister is to approve the report.

(4) The term "contracts exempt from changes", as prescribed in paragraph (1), refers to the insurance contracts specified by Cabinet Order, such as those for which an insured event has already occurred by the date of reference of the changes to the contract terms (limited to those contracts which would be terminated with the payment of the insurance proceeds pertaining to the insured event).

(Suspension of Business)

Article 240-3 If the Prime Minister gives an approval referred to in paragraph (3) of the preceding Article, finding it necessary for the protection of policyholders, etc., the Prime Minister may order that insurance company to suspend its business pertaining to the cancellation of the relevant insurance company's insurance contracts and other necessary measures by setting a deadline.

(Limitations on Changes to the Contract Terms)

Article 240-4 (1) A change to the contract terms must not affect the rights pertaining to an insurance contract corresponding to the policy reserves that must be accumulated by the date of reference of the change to the contract terms.

(2) Concerning the assumed interest rate that is to become the basis of calculation for the payments that are changed by the changes to the contract terms, such as insurance proceeds and refunds, from the standpoint of the protection of policyholders, etc., the assumed interest rate must not be less than the rate specified by Cabinet Order, taking into account the insurance company's property operating situation and other circumstances.

(Resolution of Changes to the Contract Terms)

Article 240-5 (1) An insurance company, when it seeks to carry out a change to the contract terms, must obtain the approval set forth in Article 240-2, paragraph (3), and after that, a resolution mandating the changes to the contract terms must be passed by the shareholders' meeting, etc. of the insurance company.

- (2) The resolution referred to in the preceding paragraph must be a resolution under Article 309, paragraph (2) (Resolutions of a Shareholders Meeting) or under Article 62, paragraph (2) of the Companies Act.
- (3) An insurance company must, in passing a resolution as set forth in paragraph (1), in the notice pursuant to the provisions of Article 299, paragraph (1) of the Companies Act (Notices of Convocation for Shareholders Meetings) (including as applied mutatis mutandis pursuant to Article 41, paragraph (1) and Article 49, paragraph (1)), indicate the particulars specified by Cabinet Office Order, such as the reason that the changes to the contract terms is inevitable, the content of the changes to the contract terms, a forecast of the business and property situation after the changes to the contract terms are made, the particulars of funding and the handling of debts against creditors other than policyholders, etc. and the particulars of management responsibility.
- (4) In passing a resolution as set forth in paragraph (1), if there is a policy on monetary payments concerning the insurance contracts pertaining to the changes to contract terms, such as policy dividend and the distribution of the surplus, the insurance company must indicate their content in the notice set forth in the preceding paragraph.
- (5) With regard to the policy set forth in the preceding paragraph, the insurance company must state or record the policy in its articles of incorporation.

(Special Provisions Concerning Extraordinary Resolutions of Shareholders' Meeting Pertaining to Changes to the Contract Terms)

- Article 240-6 (1) Resolutions set forth in paragraph (1) of the preceding Article of an insurance company that is a stock company, or resolutions listed in Article 309, paragraph (2), item (iii) (limited to the part pertaining to Article 171, paragraph (1) of the Act), item (v), (ix), (xi), or (xii) of the Companies Act (Resolution of Shareholders Meetings), or listed in Article 324, paragraph (2), item (i) or (iv) of that Act (Resolution of Class Meetings), or resolutions pursuant to the provisions of Article 69, paragraph (2), Article 136, paragraph (2), Article 144, paragraph (3), Article 165-3, paragraph (2), or Article 165-10, paragraph (2) of that Act that are to be decided together with the resolutions, may be made provisionally with the two-thirds majority vote of the attending shareholders, notwithstanding these provisions.
- (2) Resolutions of a shareholders meeting or a class meeting listed in the items of Article 309, paragraph (3) or in Article 324, paragraph (3), items (i) and (ii) of the Companies Act, or resolutions pursuant to the provisions of Article 323 of that Act (in the case that the provisions require a resolution of a class meeting), or in Article 165-3, paragraph (4) and Article 165-3, paragraph (6), or Article 165-10, paragraph (6) of that Act that are to be decided together with resolutions as set forth in paragraph (1) of the preceding Article of an

- insurance company that is a stock company may be made provisionally with the two-thirds majority vote of the attending shareholders at a session if at least half of the shareholders are present, notwithstanding these provisions.
- (3) Resolutions as set forth in paragraph (1) of the preceding Article of an insurance company that is a mutual company, or resolutions pursuant to the provisions of Article 57, paragraph (2), Article 60, paragraph (2), Article 62, paragraph (2), Article 62-2, paragraph (2), Article 86, paragraph (2), Article 136, paragraph (2), Article 144, paragraph (3), Article 156, or Article 165-16, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-20) that are to be decided together with the resolutions may be made provisionally with the three-quarter majority vote of the attending members (or, if the company has a member representatives meeting, the attending representative members).
- (4) In the case that a resolution is made provisionally pursuant to the provisions of paragraph (1) (hereinafter referred to as "provisional resolution" in this Article), the insurance company is to notify the purpose of the relevant provisional resolution to its shareholders and must convene a subsequent shareholders' meeting within one month of the date of adoption of the provisional resolution.
- (5) In the case if a provisional resolution is approved by majority as prescribed in paragraph (1) at the shareholders meeting set forth in the preceding paragraph, a resolution on the particulars of the provisional resolution is deemed to have existed when the relevant approval was given.
- (6) The provisions of the preceding two paragraphs apply mutatis mutandis to cases if a resolution is made provisionally pursuant to the provisions of paragraph (2). In this case, the term "paragraph (1)" in the preceding paragraph is deemed to be replaced with the term "paragraph (2)".
- (7) The provisions of paragraph (4) and paragraph (5) apply mutatis mutandis to cases if a resolution is made provisionally pursuant to the provisions of paragraph (3). In these cases, the term "shareholders" in paragraph (4) is deemed to be replaced with the term "members (if a member representatives meeting has been established, representative members)", the term "shareholders meeting" in that paragraph and in paragraph (5) is deemed to be replaced with the term "general meeting (or the member representatives meeting, if the company has such a meeting)", and the term "paragraph (1)" in that paragraph is deemed to be replaced with the term "paragraph (3)".

(Keeping of Documents Related to the Changes to Contract Terms)

Article 240-7 (1) From two weeks prior to the date the resolution is to be made as set forth in Article 240-5, paragraph (1) (in the case of foreign insurance companies, etc., the date the decision was made concerning the changes to

contract terms) until the date of issuance of the public notice pursuant to the provisions of Article 240-13, paragraph (1), an insurance company must keep documents or electronic or magnetic records stating or recording the particulars specified by Cabinet Office Order, such as the reason that the changes to contract terms is inevitable, the content of the changes to contract terms, a forecast of the business and property situation after the changes to contract terms is made, the particulars of the funding and the handling of debts against creditors other than policyholders, etc., and the particulars of management responsibility (if there is a policy pursuant to the provisions of Article 240-5, paragraph (4), including the content of the policy), at the company's business offices and other offices (in the case of foreign insurance companies, etc., branch offices, etc. pursuant to the provisions of Article 185, paragraph (1)).

- (2) Shareholders or policyholders of an insurance company (in the case of foreign insurance companies, etc., policyholders in Japan) may make the following requests to that insurance company at any time during the operating hours or business hours; provided, however, that they must pay the fees determined by the insurance company in making a request set forth in item (ii) or (iv):
- (i) a request to inspect the documents set forth in the preceding paragraph;
 - (ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;
 - (iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order;
 - (iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by the electronic or magnetic means determined by that insurance company, or to be issued a document stating the particulars.

(Insurance Inspectors)

- Article 240-8 (1) If the Prime Minister finds it necessary, in the case approved as set forth in Article 240-2, paragraph (3), the Prime Minister may appoint an insurance inspector and have the insurance inspector investigate the particulars such as the content of the changes to the contract terms.
- (2) In the case referred to in the preceding paragraph, the Prime Minister must specify the particulars that must be investigated by the insurance inspector and the deadline by which the insurance inspector must report the investigation findings to the Prime Minister.
- (3) If the Prime Minister finds that the insurance inspector is not carrying out the investigation appropriately, the Prime Minister may dismiss the insurance inspector.

- (4) The provisions of Article 80 and Article 81, paragraph (1) (Duty of Care and Advance Payment of Costs and Compensation of Trustees) of the Corporate Rehabilitation Act (Act No. 154 of 2002) apply mutatis mutandis to insurance inspectors. In this case, the term "court" in that paragraph is deemed to be replaced with "the Prime Minister", and any other necessary technical replacement of terms is specified by Cabinet Order.
- (5) The costs and compensation prescribed in Article 81, paragraph (1) of the Corporate Rehabilitation Act, as applied mutatis mutandis pursuant to the preceding paragraph, are borne by an insurance company (referred to as the "company being investigated" in the following Article and Article 318-2) referred to in Article 240-2, paragraph (1).

(Investigations by Insurance Inspectors)

- Article 240-9 (1) An insurance inspector may request directors, executive officers, accounting advisors, company auditors, accounting auditors, and managers or any other employee of the company being investigated, and any person who has resigned from these positions, to make a report on the status of the business and property of the company being investigated (with regard to any person who has resigned from these positions, limited to the status of particulars that could have been known by the relevant person during the period when they were working for the company being investigated), or inspect books, documents, and any other articles of the company being investigated.
- (2) An insurance inspector may, when it is necessary to carry out their duty, inquire with, or request the cooperation of, relevant persons such as government agencies and public entities.

(Confidentiality Obligation of Insurance Inspectors)

- Article 240-10 (1) An insurance inspector must not divulge any secrets learned in the course of their duties. The same applies after the insurance inspector resigns from office.
- (2) If an insurance inspector is a corporation, its officers and employees who are engaged in the duties of the insurance inspector must not divulge any secret learned in the course of their duties. The same applies after the relevant officers or employees are no longer engaged in the duties of the insurance inspector.

(Approval for the Changes to the Contract Terms)

- Article 240-11 (1) If a resolution (in the case of foreign insurance companies, etc., a decision concerning the changes to the contract terms; hereinafter the same applies in this Section) pursuant to the provisions of Article 240-5, paragraph (1) (including as deemed that there was a resolution as set forth in Article 240-

5, paragraph (1) pursuant to the provisions of Article 240-6, paragraph (5) (including as applied mutatis mutandis to paragraph (6) and paragraph (7) of that Article)), after that resolution, the insurance company, without delay, must seek the approval of the Prime Minister concerning the changes to the contract terms pertaining to that resolution.

- (2) The Prime Minister must not grant approval set forth in the preceding paragraph unless measures necessary for the continuation of insurance business have been undertaken by the insurance company, and the changes to the contract terms pertaining to the resolution as set forth in Article 240-5, paragraph (1) is found necessary for the continuation of insurance business of that insurance company, and appropriate from the standpoint of the protection of policyholders, etc.

(Notice and Objection Regarding Changes to the Contract Terms)

Article 240-12 (1) If approval is granted as set forth in paragraph (1) of the preceding Article, within two weeks of the date of the approval being granted, an insurance company must make a public notice of the main content of the changes to the contract terms pertaining to the resolution set forth in Article 240-5, paragraph (1), and must also notify the policyholders who are subject to the changes to the contract terms (hereinafter referred to as "policyholders subject to the changes" in this Article) in writing of the content of the changes to the contract terms under the resolution set forth in that paragraph.

- (2) In the case referred to in the preceding paragraph, an insurance company must attach the documents specified by Cabinet Office Order, such as documents indicating the reason that the changes to the contract terms is inevitable, documents indicating the forecast of the business and property situation after the changes to the contract terms is made, documents indicating the particulars of funding and the handling of debts against creditors other than policyholders, etc., and documents indicating the particulars of management responsibility (if there is a policy pursuant to the provisions set forth in Article 240-5, paragraph (4), including documents indicating the content of the policy). Furthermore, the insurance company must attach a supplementary note to the effect that a policyholder subject to the changes who has an objection must raise that objection within a certain period of time.
- (3) The period under the preceding paragraph may not be less than one month.
- (4) The contract terms must not be changed when the number of policyholders subject to the changes who have raised objections within the period of time set forth in paragraph (2) exceeds one tenth of the total number of policyholders subject to the changes and the amount specified by Cabinet Office Order as an amount equivalent to the sum of the claims pertaining to the insurance contracts of policyholders subject to the changes who have raised the objections

exceeds one tenth of the total amount of that amount of policyholders subject to the changes.

- (5) When the number of policyholders subject to the changes who have raised their objections within the period of time set forth in paragraph (2) or the amount specified by Cabinet Office Order belonging to those policyholders as set forth in the preceding paragraph does not exceed the percentage specified in that paragraph, all of the relevant policyholders subject to the changes are deemed to have approved the relevant changes to the contract terms.

(Public Notice of the Changes to the Contract Terms)

Article 240-13 (1) An insurance company, without delay after the contract terms are changed, must make a public notice of the fact that changes to the contract terms have been made and any other particulars specified by Cabinet Office Order. The same applies even when changes to the contract terms are not made.

- (2) An insurance company, within three months after the contract terms are changed, must notify the policyholders pertaining to the relevant change of contract terms of the content of the rights and duties of policyholders after the relevant contract terms have been changed.

Section 2 Dispositions by the Prime Minister Related to Business and Property Administration

Subsection 1 Suspension of Business, Orders for Merger Discussions, and Business and Property Administration

(Suspension of Business, Orders for Merger Discussions, and Business and Property Administration)

Article 241 (1) If the Prime Minister finds that the continuation of insurance business will be difficult in view of the status of the business or property of an insurance company, etc., or foreign insurance company, etc., or if the Prime Minister finds that the management of that business (in the case of foreign insurance companies, etc., their business in Japan; hereinafter the same applies in this Article through Article 255-2) is extremely inappropriate and that there is a risk that the continuation of insurance business could bring about a situation lacking in protection for policyholders, etc., the Prime Minister may order the whole or partial suspension of business, a merger, a transfer of insurance contracts (in the case of foreign insurance companies, etc., the transfer of insurance contracts in Japan) or a discussion on the acquisition of the shares of that insurance company, etc., or foreign insurance company, etc. by another insurance company, etc., foreign insurance company, etc., or insurance holding company, etc. (referred to as "merger, etc." in Article 247, paragraph (1); Articles 256 through Article 258; Article 270-3-2, paragraph (4)

and Article 270-3-2, paragraph (5); and Article 270-4, Article 270-4, paragraph (4) and Article 270-4, paragraph (5)) or any other necessary measure against that insurance company, etc., or foreign insurance company, etc., or make a disposition ordering business and property administration (in the case of foreign insurance companies, etc., property located in Japan; the same applies in this Article, the following Article and Articles 246-2 through Article 247-2) by a receiver of the insurer; provided, however, that if an insurance company or a foreign insurance company, etc. is subject to an injunction ordering specified management prescribed in Article 126-5, paragraph (1) (Injunction Ordering Specified Management) of the Deposit Insurance Act (Act No. 34 of 1971), the Prime Minister may not make a disposition ordering business and property administration by a receiver of an insurer for the relevant insurance company or a foreign insurance company, etc.

- (2) The term "insurance holding company, etc." as used in this Chapter means the following entities:
- (i) an insurance holding company;
 - (ii) a small amount and short term insurance holding company prescribed in Article 272-37, paragraph (2);
 - (iii) a company that has received the approval under Article 271-18, paragraph (1) to become a holding company whose subsidiary companies include an insurance company, due to an acquisition of shares;
 - (iv) a company that has received approval, as set forth in Article 272-35, paragraph (1), to become a holding company whose subsidiary companies include a small amount and short term insurer, due to an acquisition of shares;
 - (v) a company, other than the companies listed in the preceding items (excluding an insurance company, etc. and foreign insurance company, etc.), whose subsidiary companies include an insurance company, etc. or foreign insurance company, etc., or which is seeking to make such company its subsidiary company.
- (3) An insurance company, etc. or foreign insurance company, etc., when the continuation of its insurance business is difficult in view of the state of its business or property, must notify the Prime Minister to that effect and of the reason in writing.

Subsection 2 Business and Property Administration

(Appointment of a Receiver of an Insurer)

Article 242 (1) When a disposition ordering business and property administration by a receiver of an insurer has been issued under the provisions of paragraph (1) of the preceding Article (hereinafter referred to as "disposition

ordering management" in this Subsection and Article 258, paragraph (2)), the right to represent an insurance company, etc. or foreign insurance company, etc. that has been rendered that disposition (hereinafter referred to as a "managed company"), execute its business, and manage and dispose of its property (in the case of the right to represent a foreign insurance company, etc., limited to the scope of insurance business in Japan) is vested exclusively in a receiver of the insurer. The same applies to the rights of the directors and executive officers under the provisions of Article 828, paragraph (1) and Article 828, paragraph (2) (Actions to Invalidate Acts Concerning the Organization of a Company) (including as applied mutatis mutandis pursuant to Article 30-15; Article 57, paragraph (6); Article 60-2, paragraph (5); and Article 171) and Article 831, paragraph (1) (Action to Revoke a Resolution of a Shareholders' Meeting) (including as applied mutatis mutandis pursuant to Article 41, paragraph (2) and Article 49, paragraph (2)) and the provisions of Article 84-2, paragraph (2) and Article 96-16, paragraph (2) of the Companies Act.

- (2) The Prime Minister, together with the disposition ordering management, must appoint one or several receivers of an insurer.
- (3) The Prime Minister may order the receivers of an insurer to take necessary measures regarding the business and property administration of the managed company.
- (4) If the Prime Minister finds it necessary, the Prime Minister may appoint further receivers of an insurer after appointing receivers of an insurer pursuant to the provisions of paragraph (2), or if the Prime Minister finds that the receivers of an insurer are not appropriately administering the business and property of the managed company, dismiss the receivers of an insurer.
- (5) If the Prime Minister has appointed receivers of an insurer pursuant to the provisions of paragraph (2) or the preceding paragraph or if the Prime Minister has dismissed receivers of an insurer pursuant to that paragraph, the Prime Minister must notify the managed company of this, as well as give public notice of that fact in the Official Gazette.
- (6) The provisions of Article 69, Article 70, Article 80, and Article 81, paragraph (1) and Article 81, paragraph (5) (Execution of Duty by Several Trustees, Appointment of Trustee Representatives, Duty of Care, and Advance Payment of Costs and Compensation of a Trustee) of the Corporate Rehabilitation Act and the provisions of Article 78 (Liability for Damages with regard to Acts of Representative Persons) of the Act on General Incorporated Associations and General Incorporated Foundations apply mutatis mutandis to receivers of an insurer and the managed company, respectively. In this case, the term "permission of a court" in Article 69, paragraph (1) of the Corporate Rehabilitation Act is deemed to be replaced with "approval of the Prime Minister", the term "trustee representatives" in Article 70 of that Act is

deemed to be replaced with "receiver representatives of an insurer", the term "permission of a court" in paragraph (2) in that Article is deemed to be replaced with "approval of the Prime Minister", the term "court" in Article 81, paragraph (1) of that Act is deemed to be replaced with "the Prime Minister", the term "trustee representatives" in paragraph (5) in that Article is deemed to be replaced with "receiver representatives of an insurer", and the phrase "representative directors and other representative persons" in Article 78 of the Act on General Incorporated Associations and General Incorporated Foundations is deemed to be replaced with "receivers of an insurer".

Article 243 (1) An insurance company, etc. may become a receiver or receiver representative of an insurer.

(2) An insurance company, etc., if requested by the Prime Minister to become a receiver of an insurer, must not refuse the request without legitimate grounds.

(3) A policyholders protection corporation may become a receiver or receiver representative of an insurer and conduct their business.

(Notices and Registration)

Article 244 (1) If the Prime Minister issues a disposition ordering management, the Prime Minister must immediately notify the district court with jurisdiction over the locality of the head office or principal office of the managed company of this, and attach a certified copy of the written order to a written commission and commission its registration to the registry office of the head office or principal office of the managed company (in the case of a foreign insurance company, etc., the location of a branch office, etc. as prescribed in Article 185, paragraph (1)).

(2) The name and address of a receiver of the insurer must also be registered in the registration referred to in the preceding paragraph.

(3) The provisions of paragraph (1) apply mutatis mutandis when changes occur to particulars listed in the preceding paragraph.

(Suspension of Business)

Article 245 When a disposition ordering management has been issued, the managed company must suspend its business, except for those listed as follows; provided, however, that this does not apply to the part of business the Prime Minister finds it necessary not to suspend, upon report by a receiver of an insurer:

(i) if a contract has been concluded under the provisions of Article 270-6-7, paragraph (3) with an affiliated Corporation as prescribed in Article 266, paragraph (1), business for paying insurance proceeds or any other benefit under a covered insurance contract as prescribed in Article 270-3, paragraph

- (2), item (i) (hereinafter referred to as a "covered insurance contract" in this Article) (limited to the amount calculated by multiplying the amount of the insurance proceeds or any other benefit under the covered insurance contract by the percentage specified by Cabinet Office Order or Order of the Ministry of Finance, in consideration of the type of the covered insurance contract, the assumed interest rate, any other content, and the timing that the insured event pertaining to the relevant claim occurred, etc.; hereinafter referred to as "covered insurance proceeds"), based on a creditor's right to claim insurance proceeds or any other right claimed by the creditor, as specified Cabinet Order, under the relevant covered insurance contract (hereinafter referred to as "services for paying covered insurance proceeds");
- (ii) business involving the cancellation of specified covered insurance contracts (meaning those covered insurance contracts specified by Cabinet Office Order or Order of the Ministry of Finance as contracts having little necessity to maintain in order to protect policyholders, etc.; the same applies hereinafter) within the period of time specified by Cabinet Office Order or Order of the Ministry of Finance (excluding business involving the payment of cancellation refunds or any other similar benefits; hereinafter referred to as "business for canceling specified covered insurance contracts").

(Prohibition on Entry of Name Changes for Shareholders)

Article 246 If a managed company (excluding a foreign insurance company, etc.) is a stock company and the Prime Minister finds it necessary, the Prime Minister may prohibit the entry of a name change for the shareholders.

(Duty of a Receiver of an Insurer to Report)

Article 246-2 A receiver of an insurer, without delay after taking office, must investigate and report the following particulars to the Prime Minister:

- (i) the course of events that has led to the circumstances under which the managed company received a disposition ordering management;
- (ii) the situation of the business and property of the managed company;
- (iii) any other necessary particular.

(Approval of Plans)

Article 247 (1) If the Prime Minister finds it necessary for the protection of policyholders, etc. that the maintenance of insurance contracts pertaining to the managed company (in the case of foreign insurance companies, etc., insurance contracts in Japan; hereinafter the same applies in this Chapter, excluding Article 254 and Article 270-7, paragraph (1)) or business involving the cancellation of specified covered insurance contracts or any other business to be conducted smoothly, the Prime Minister may order a receiver of the

insurer to prepare a plan, including the following particulars, related to business and property administration:

- (i) a policy related to the liquidation and rationalization of the business of the managed company; and
 - (ii) measures to carry out smoothly a merger, etc. pertaining to the managed company.
- (2) A receiver of an insurer must obtain the approval of the Prime Minister when the receiver has prepared the plan set forth in the preceding paragraph.
 - (3) A receiver of an insurer, without delay, when the approval set forth in the preceding paragraph has been issued, must implement the plan set forth in paragraph (1) pertaining to the approval.
 - (4) A receiver of an insurer may, when unavoidable circumstances arise, receive approval from the Prime Minister and change or discontinue the plan set forth in paragraph (1).
 - (5) If the Prime Minister finds it necessary for the protection of policyholders, etc., the Prime Minister may order a receiver of the insurer to change or discontinue the plan set forth in paragraph (1).

(Investigations by Receivers of an Insurer)

Article 247-2 (1) A receiver of an insurer may request directors, executive officers, accounting advisors, company auditors, accounting auditors, and managers or any other employee of the managed company, and any person who held these positions, to make a report on the status of the business and property of the managed company (with regard to any person who held these positions, limited to the status of particulars that could have been known by the person during the period when they were working for that managed company), or inspect the books, documents, and any other articles of the managed company.

- (2) A receiver of an insurer may, when it is necessary to carry out their duty, inquire with, or request the cooperation of, government agencies, public entities, or other persons.

(Confidentiality Obligation of Receivers and Receiver Representatives of an Insurer)

Article 247-3 (1) A receiver of an insurer and a receiver representative of an insurer (hereinafter referred to as a "receiver, etc. of an insurer" in this Article) must not divulge any secrets learned in the course of their duties. The same applies after the receiver, etc. of an insurer resigns from office.

- (2) If a receiver, etc. of an insurer is a corporation, its officers and employees who are engaged in the duties of a receiver, etc. of an insurer must not divulge any secrets learned in the course of duty. The same applies after the officers or

employees are no longer engaged in the duties of a receiver, etc. of an insurer.

(Measures to Clarify Managers' Responsibility for the Bankruptcy of a Managed Company)

Article 247-4 (1) A receiver of an insurer, in order to have directors, executive officers, accounting advisers, company auditors or accounting auditors of a managed company, or any person who has resigned from these positions, perform their civil responsibility based on the breach of professional obligations, must file an action with the court or take other necessary measures.

(2) A receiver of an insurer, if, in the course of their duties, the receiver considers that a crime has been committed, must take the necessary measures toward prosecution.

(Transactions between a Receiver of an Insurer and a Managed Company)

Article 247-5 (1) A receiver of an insurer must obtain the approval of the Prime Minister before carrying out, for the receiver's own sake or for a third party, any transaction with the managed company. In this case, the provisions of Article 108 (Self-Contract and Representation of Both Parties) of the Civil Code do not apply.

(2) An action is to be null and void if the approval set forth in the preceding paragraph has not been obtained; provided, however, that this may not be duly asserted against a third party without knowledge.

(Rescission of Dispositions Ordering Management by Receivers of an Insurer)

Article 248 (1) If the Prime Minister finds that there is no longer any need for a disposition ordering management, the Prime Minister must rescind that disposition ordering management.

(2) The provisions of Article 244, paragraph (1) apply mutatis mutandis to the case set forth in the preceding paragraph.

(Special Provisions on Extraordinary Resolutions at Shareholders Meetings)

Article 249 (1) In a managed company that is a stock company (excluding a foreign insurance company, etc.; hereinafter the same applies in this Article and the following Article), resolutions at a shareholders meeting or class shareholders meeting listed in Article 309, paragraph (2), item (iii) (limited to the part pertaining to Article 171, paragraph (1) of that Act) through item (v), item (ix), item (xi), or item (xii) (Resolutions at Shareholders Meetings) or Article 324, paragraph (2), item (i) or (iv) (Resolutions at Class Meetings) of the Companies Act, or resolutions pursuant to the provisions of Article 69, paragraph (2), Article 136, paragraph (2), Article 144, paragraph (3), Article

165-3, paragraph (2), or Article 165-10, paragraph (2), may be made provisionally with the two-thirds majority vote of the attending shareholders, notwithstanding these provisions.

- (2) In a managed company that is a stock company, resolutions at a shareholders meeting or class shareholders meeting listed in the items of Article 309, paragraph (3) or in Article 324, paragraph (3), items (i) and (ii) of the Companies Act or resolutions pursuant to the provisions of Article 323 (Cases of Provisions Requiring Resolution at a Class Meeting) of that Act or Article 165-3, paragraph (4) or Article 165-3, paragraph (6), or Article 165-10, paragraph (6) may be made provisionally with the two-thirds majority vote of the attending shareholders at a session if at least half of the shareholders are present, notwithstanding these provisions.
- (3) In a managed company that is a mutual company, resolutions pursuant to the provisions of Article 57, paragraph (2), Article 60, paragraph (2), Article 62, paragraph (2), Article 62-2, paragraph (2), Article 86, paragraph (2), Article 136, paragraph (2), Article 144, paragraph (3), Article 156 or Article 165-16, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-20) may be made provisionally with a three-quarters majority vote of the members attending the meeting (or the representative members, where the company has a member representatives meeting), notwithstanding these provisions.
- (4) In the case if a resolution is made provisionally pursuant to the provisions of paragraph (1) (hereinafter referred to as a "provisional resolution" in this Article), the managed company must notify its shareholders of the purpose of the relevant provisional resolution and must convene a subsequent shareholders meeting within one month of the date of adoption of the relevant provisional resolution.
- (5) In the case if a provisional resolution is approved by a majority as prescribed in paragraph (1) at the shareholders meeting set forth in the preceding paragraph, a resolution on the particulars of the relevant provisional resolution is deemed to have existed when the relevant approval was given.
- (6) The provisions of the preceding two paragraphs apply mutatis mutandis to cases if a resolution is made provisionally pursuant to the provisions of paragraph (2). In this case, the term "paragraph (1)" in the preceding paragraph is deemed to be replaced with the term "paragraph (2)".
- (7) The provisions of paragraph (4) and paragraph (5) apply mutatis mutandis to cases if a resolution is made provisionally pursuant to the provisions of paragraph (3). In this case, the term "shareholders" in paragraph (4) is deemed to be replaced with "members present at the relevant meeting (or, where the company has a member representatives meeting, the representative members present)", the term "shareholders meeting" in that paragraph and in paragraph

(5) is deemed to be replaced with "general meeting (or the member representatives meeting, if the company has such a meeting)", and the term "paragraph (1)" in that paragraph is deemed to be replaced with "paragraph (3)".

(Permission in Lieu of Extraordinary Resolution of Shareholders' Meeting)

Article 249-2 (1) In the case if a managed company that is a stock company is unable to satisfy its obligations with its property, that managed company may obtain permission of a court and act with regard to the following particulars, notwithstanding the provisions of Article 111, paragraph (2) (Special Provisions on Procedures for Amendments in Articles of Incorporation), Article 171, paragraph (1) (Determinations regarding Acquisition of Shares Subject to Class-Wide Call), Article 199, paragraph (2) (Determination of Subscription Requirements), Article 447, paragraph (1) (Reductions in Amount of Stated Capital), Article 466 (Changes in Articles of Incorporation), Article 467, paragraph (1), items (i) through (ii)-2 (Approvals of Business Transfer), and Article 471, item (iii) (Grounds for Dissolution) of the Companies Act and the provisions of Article 136 (including as applied mutatis mutandis pursuant to Article 272-29; the same applies in the following paragraph):

(i) change of articles of incorporation necessary for issuance of shares subject to class-wide call (meaning shares subject to class-wide call prescribed in Article 171, paragraph (1) of the Companies Act), acquisition of all of the relevant shares subject to class-wide call, or determination of subscription requirements prescribed in Article 199, paragraph (2) (Determination of Subscription Requirements) of that Act in relation to the issuance of shares for subscription associated therewith as prescribed in paragraph (1) of that Article;

(ii) reduction in the amount of stated capital;

(iii) acts listed in Article 467, paragraph (1), items (i) to (ii)-2 of the Companies Act;

(iv) dissolution;

(v) transfer of insurance contracts.

(2) In the case if a managed company that is a mutual company is unable to satisfy its obligations with its property, that managed company may obtain permission of a court and take the following actions, notwithstanding the provisions of Article 62-2, paragraph (1), items (i) through (ii)-2, Article 136, and Article 156:

(i) acts listed in Article 62-2, paragraph (1), items (i) through (ii)-2;

(ii) transfer of insurance contracts; and

(iii) dissolution.

(3) A receiver of an insurer may obtain permission of a court and dismiss the

directors (if the managed company is a company with an audit and supervisory committee, directors who are audit and supervisory committee members or other directors; the same applies in the following paragraph and paragraph (5)), executive officers, accounting advisers, company auditors, or accounting auditors of the managed company, notwithstanding the provisions of Article 339, paragraph (1) (Dismissal), Article 347, paragraph (1) (Election of Directors or Company Auditors at Class Meetings), or Article 403, paragraph (1) (Dismissal of Executive Officers) of the Companies Act or the provisions of Article 53-8, paragraph (1) or Article 53-27, paragraph (1).

- (4) In the case if a receiver of an insurer seeks to dismiss the directors, executive officers, accounting advisers, company auditors, or accounting auditors of the managed company pursuant to the provisions of the preceding paragraph, if the number of directors, executive officers, accounting advisers, company auditors, or accounting auditors fails to meet the number prescribed by laws or by the articles of incorporation by carrying out the dismissals, the receiver of an insurer may obtain permission of a court and appoint directors, executive officers, accounting advisers, company auditors, or accounting auditors of the managed company, notwithstanding the provisions of Article 329, paragraph (1) (Election), Article 347, paragraph (1) or Article 402, paragraph (2) (Election of Executive Officers) of the Companies Act or the provisions of Article 52, paragraph (1) or Article 53-26, paragraph (2).
- (5) The directors, accounting advisers, company auditors, or accounting auditors of the managed company who have been elected pursuant to the provisions of the preceding paragraph is to resign at the conclusion of the first annual shareholders meeting or annual general meeting (if there is a member representatives meeting, the annual member representatives meeting) convened after the termination of the management by the receiver of the insurer pertaining to the relevant managed company, and executive officers are to resign at the conclusion of the first meeting of the board of directors held after the conclusion of the first annual shareholders meeting or annual general meeting (if there is a member representatives meeting, the annual member representatives meeting).
- (6) If the permissions prescribed in paragraph (1) to paragraph (4) (hereinafter referred to as "replacement permissions" in this Article and the following Article) have been obtained, it is deemed that a resolution of the shareholders meeting, etc., class shareholders meeting, or board of directors has been made concerning the particulars of the relevant replacement permissions. With regard to the application of the provisions of Article 16, paragraph (1), Article 136-2, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-29), and Article 250, paragraphs (3) and (5) in this case, the phrase "two weeks before the date of the shareholders meeting pertaining to the

- resolution on the reduction (excluding the cases in which the whole of the amount by which the reserves are reduced is appropriated to the stated capital) of the stated capital or reserves (hereinafter referred to as "stated capital, etc." in this Section) (or, the date of the board of directors meeting if Article 447, paragraph (3) (Reductions in Amount of Stated Capital) or Article 448, paragraph (3) (Reductions in Amount of Reserves) of the Companies Act applies)" in Article 60, paragraph (1) is deemed to be replaced with "a date within two weeks from the date of receipt of the permission set forth in Article 249-2, paragraph (1) pertaining to the reduction (excluding the cases where the whole of the amount by which the reserves are reduced is appropriated to the stated capital) of the stated capital or reserves", the phrase "two weeks before the date of the shareholders meeting, etc. set forth in Article 136, paragraph (1) in the preceding Article" in Article 136-2 is deemed to be replaced with "a date within two weeks from the date of receipt of the permission set forth in Article 249-2, paragraph (1) or (2) pertaining to the transfer of insurance contracts", and the phrases "the public notice set forth in the following paragraph" in Article 250, paragraph (3) and "the public notice set forth in the preceding paragraph" in paragraph (5) in that Article are deemed to be replaced with "the public notice set forth in Article 249-2, paragraph (8)"; and the provisions of Article 156-2 and Article 250, paragraph (4) do not apply.
- (7) The district court with jurisdiction over the locality of the head office or principle office of that managed company is to have jurisdiction over the cases related to replacement permissions.
- (8) The court, when it has made a decision on replacement permissions, must serve that written decision on the managed company and make a public notice as to the summary of that decision.
- (9) The public notice made pursuant to the provisions of the preceding paragraph is to be published in the Official Gazette.
- (10) The decision on replacement permissions is to take effect as of the time it has been served on the managed company under the provisions of paragraph (8).
- (11) Shareholders or members may make an immediate appeal against the decision on replacement permissions within an unextendable period of two weeks from the date the public notice set forth in paragraph (8) has been given. In this case, when the immediate appeal is against a decision on replacement permissions pertaining to dissolution, it is to have the effect of a stay of execution.
- (12) The provisions of Article 5 (Courts with Jurisdiction, If Jurisdiction is Determined by Place of Domicile), Article 6 (Priority Jurisdiction), Article 7, paragraph 2 (Designations of Courts with Jurisdiction), Article 40 (Participation of a Public Prosecutor), Article 41 (Notification to a Public

Prosecutor), Article 56, paragraph (2) (Notice of Final Decision and Effect of Decisions, etc.) and Article 66, paragraphs (1) and (2) (Trials Subject to Immediate Appeals) of the Act on Procedures in Non-Contentious Cases (Act No. 14 of 1898) do not apply to cases related to replacement permissions.

(Special Provisions on Registration Related to Replacement Permissions)

Article 249-3 If replacement permissions for the particulars listed in paragraph (1), item (i), (ii) or (iv) of the preceding Article, or paragraph (2), item (iii) of that Article, or in paragraph (3) or (4) of that Article have been granted, a certified copy or extract of the written decision for the relevant replacement permissions must be attached to the written application for registration for the relevant particulars.

Subsection 3 Changes to Contract Terms in Mergers

(Changes to Contract Terms in Transfer of Insurance Contracts)

Article 250 (1) In addition to the minor changes prescribed in Article 135, paragraph (4) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29) made to the contract set forth in Article 135, paragraph (1) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29), an insurance company, etc. or foreign insurance company, etc. may, in the cases that fall under the following cases, prescribe a reduction in the insurance proceeds and any other changes to contract terms with regard to insurance contracts (excluding specified contracts) that will be transferred pursuant to that contract (excluding the relevant minor changes, changes that reduce the policy reserves that must be reserved from insurance premiums received after the time of the public notice, etc. prescribed in paragraph (3), item (i) with regard to covered insurance contracts other than specified covered insurance contracts (referred to as covered insurance contracts prescribed in Article 270-3, paragraph (2), item (i)), and changes that will include contents that are disadvantageous to cancellation refunds or any other similar benefits specified by Cabinet Office Order or Order of the Ministry of Finance that accrue after the time of the public notice, etc. prescribed in paragraph (3), item (i) with regard to specified covered insurance contracts compared to other insurance proceeds or any other benefits pertaining to the relevant specified covered insurance contracts; hereinafter referred to in this Subsection as "changes to contract terms"):

(i) in the case if a discussion a transfer of insurance contracts pertaining to all insurance contracts has been ordered pursuant to the provisions of Article 241, paragraph (1), at the time the relevant insurance contracts are transferred;

- (ii) if the company is a managed company, at the time a transfer of insurance contracts pertaining to all or some insurance contracts is made in accordance with a plan as set forth in Article 247, paragraph (1) that has received approval as set forth in paragraph (2) in that Article (including the approval of changes as set forth in paragraph (4) in that Article);
 - (iii) if the company is a bankrupt insurance company as prescribed in Article 260, paragraph (2) that has received the authorization of the Prime Minister as set forth in Article 268, paragraph (1) or Article 270, paragraph (1), at the time insurance contracts pertaining to all its insurance contracts are transferred to a relief insurance company as prescribed in Article 260, paragraph (3) (excluding the case given in the preceding two items).
- (2) If insurance contracts are to be transferred as set forth in item (i) or (iii) of the preceding paragraph, all the insurance contracts pertaining to that insurance company, etc. or foreign insurance company, etc. (including insurance contracts related to business for canceling specified covered insurance contracts), other than specified contracts, must be transferred collectively.
- (3) The term "specified contracts" prescribed in the preceding two paragraphs refers to the following contracts:
- (i) insurance contracts for which an insured event (limited to insurance contracts which are to be terminated with the payment of the insurance proceeds pertaining to the insured event) has already occurred at the time of the public notice set forth in the following paragraph (when payment pertaining to the insurance contracts has already been suspended at the time of the public notice in the case if a whole or partial suspension of business has been ordered pursuant to the provisions of Article 241, paragraph (1) and payment pertaining to insurance contracts has been suspended or in the case where business has been suspended pursuant to the provisions of Article 245 (including as applied mutatis mutandis pursuant to Article 258, paragraph (2)), paragraph (5) in this Article, Article 254, paragraph (4), or Article 255-2, paragraph (3), and payment pertaining to insurance contracts has been suspended; referred to as "time of public notice, etc." in the following item);
 - (ii) insurance contracts for which the insured period has already ended at the time of public notice, etc. (including those that, at the time of public notice, etc., were cancelled during the insured period and any others for which grounds for termination of insurance contracts has occurred (excluding those for which payment pertaining to insurance contracts has been suspended pursuant to an order under the provisions of Article 240-3), and excluding those given in the preceding item).
- (4) In the case referred to in paragraph (1), an insurance company, etc., on the date of sending convocation notices for the shareholders' meeting, etc. set forth

in Article 136, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-29), must give a public notice to the effect that the relevant shareholders' meeting, etc. is to be held and that a resolution to transfer insurance contracts that contain the changes to contract terms is the purpose of the meeting; and for a foreign insurance company, etc., on the date the contracts set forth in Article 135, paragraph (1) are created, must give public notice to the effect that contracts that contain the changes to contract terms have been issued.

- (5) The insurance company, etc. or foreign insurance company, etc. set forth in paragraph (1) must suspend all of its business (excluding business for paying covered insurance proceeds and business for canceling specified covered insurance contracts) from the time of public notice as set forth in the preceding paragraph, excluding the case if already at the time of public notice, the suspension of all of its business has been ordered pursuant to the provisions of Article 241, paragraph (1) or all of its business has been suspended pursuant to the provisions of the main text of Article 245 (including as applied mutatis mutandis pursuant to Article 258, paragraph (2)), the main text of this paragraph, the main text of Article 254, paragraph (4), or the main text of Article 255-2, paragraph (3); provided, however, that this does not apply to a part of its business which the Prime Minister finds it necessary not to suspend, upon report from that insurance company, etc. or foreign insurance company, etc.

(Special Provisions on Public Notice and Objection Regarding Transfer of Insurance Contracts)

Article 251 (1) If insurance contracts referred to in paragraph (1) of the preceding Article are to be transferred, the public notice set forth in Article 137, paragraph (1) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29) must include a supplementary note on the main content of changes in the rights and duties of policyholders caused by changes to contract terms and any other particulars specified by Cabinet Office Order or Order of the Ministry of Finance.

- (2) With regard to the application of the provisions of Article 135, paragraph (2) and Article 137, the main text of paragraph (1), and paragraph (3) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29; hereinafter the same applies in this paragraph) in the case where insurance contracts are to be transferred as set forth in paragraph (1) of the preceding Article, the phrase "insurance contracts for which an insured event has already occurred at the time of public notice pursuant to the provisions of Article 137, paragraph (1) (limited to insurance contracts which are to be terminated with the payment of the insurance proceeds pertaining to the

insured event) and any other insurance contracts specified by Cabinet Order" in Article 135, paragraph (2) is deemed to be replaced with "specified contracts prescribed in Article 250, paragraph (3)", the phrase "give public notice of the outline of the agreement concluded under Article 135, paragraph (1), the balance sheets of the transferor company and the transferee company (for a foreign insurance company, etc., the balance sheet for its insurance business in Japan), as well as the notice to the effect that an affected policyholder who has an objection is to raise an objection within a certain period and other particulars specified by Cabinet Office Order, and is to notify Affected policyholders of these matters" in the main clause of paragraph (1) is deemed to be replaced with "give public notice of the outline of the agreement concluded under Article 135, paragraph (1), the balance sheets of the transferor company and the transferee company (for a foreign insurance company, etc., the balance sheet for its insurance business in Japan), as well as the notice to the effect that an affected policyholder who has an objection is to raise an objection within a certain period and other particulars specified by Cabinet Office Order", the phrases "one tenth (one fifth, in case of transfer of insurance contracts pertaining to all insurance contracts)" and "at the time of public notice under the provisions of paragraph (1) with regard to the relevant insurance contracts" in Article 137, paragraph (3) are deemed to be replaced with "one tenth" and "for the insurance contracts, in the case that the insurance contracts are specified contracts as prescribed in Article 250, paragraph (3)", respectively, and the provisions of the proviso to paragraph (1) of that Article, and paragraph (5) of that Article (including as applied *mutatis mutandis* pursuant to Article 210, paragraph (1) and Article 272-29; the same applies in the following paragraph) do not apply.

- (3) If an insurance company, etc. or a foreign insurance company, etc. falls under the case listed in the items of paragraph (1) of the preceding Article, and when the company does not make changes to contract terms, for the purpose of applying the provisions of Article 137, the main text of paragraph (1), and paragraph (3) (including as applied *mutatis mutandis* pursuant to Article 210, paragraph (1) and Article 272-29; hereinafter the same applies in the following paragraph), the phrase "give public notice of the outline of the agreement concluded under Article 135, paragraph (1), the balance sheets of the transferor company and the transferee company (for a foreign insurance company, etc., the balance sheet for its insurance business in Japan), as well as the notice to the effect that an affected policyholder who has an objection is to raise an objection within a certain period and other particulars specified by Cabinet Office Order, and is to notify affected policyholders of these matters" in the main text of Article 137, paragraph (1) is deemed to be replaced with "give public notice of the gist of the agreement concluded under Article 135,

paragraph (1), the balance sheets of the transferor company and the transferee company (for a foreign insurance company, etc., the balance sheet for its insurance business in Japan), as well as the notice to the effect that an affected policyholder who has an objection is to raise an objection within a certain period and other particulars specified by Cabinet Office Order", the term "one tenth (one fifth, in case of transfer of insurance contracts pertaining to all insurance contracts)" in paragraph (3) of that Article is deemed to be replaced with "one fifth", and the provisions of the proviso to paragraph (1) of that Article, and paragraph (5) of that Article do not apply.

(Effect of Transfer of Insurance Contracts Involving Changes to the Contract Terms)

Article 252 When a transfer of insurance contracts has taken place as set forth in Article 250, paragraph (1), the transferee company prescribed in Article 135, paragraph (1) is to assume the claims and obligations pertaining to insurance contracts pertaining to the transfer of insurance contracts under the terms set forth after the changes to the contract terms specified in the contract set forth in Article 135, paragraph (1) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29; hereinafter the same applies in this Article) have been made with regard to the insurance contracts.

(Notice of Changes to the Contract Terms)

Article 253 With regard to the application of the provisions of the main text of Article 140, paragraph (2) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29; hereinafter the same applies in this Article) in the case if a transfer of insurance contracts has taken place as set forth in Article 250, paragraph (1), the phrase "the fact that a transfer of insurance contracts has been received and the content of the minor changes when the minor changes prescribed in the paragraph (4) in that Article have been established" in the main text of Article 140, paragraph (2) is deemed to be replaced with "the fact that a transfer of insurance contracts has been received and the content of the rights and duties of policyholders after the changes to the contract terms when the changes to the contract terms prescribed in Article 250, paragraph (1) (including the minor changes prescribed in Article 135, paragraph (4), hereinafter the same applies in this paragraph) have been established", and the proviso to that paragraph (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29) do not apply.

(Changes to the Contract Terms in a Merger Agreement)

Article 254 (1) An insurance company, etc. may, in the cases that fall under the

following cases, specify changes to the contract terms with regard to insurance contracts (excluding specified contracts) related to that insurance company, etc. in merger agreements:

- (i) in the case if discussion of a merger has been ordered pursuant to the provisions of Article 241, paragraph (1), and a merger is sought;
 - (ii) in the case where the company is a managed company, when a merger is to be made in accordance with a plan as set forth in Article 247, paragraph (1) that has received approval as set forth in paragraph (2) in that Article (including the approval of changes as set forth in paragraph (4) in that Article);
 - (iii) in the case where the company is a bankrupt insurance company as prescribed in Article 260, paragraph (2) that has received the authorization of the Prime Minister as set forth in Article 268, paragraph (1) or Article 270, paragraph (1), when a merger is to be made that in which the relief insurance company as prescribed in Article 260, paragraph (3) is to continue to exist (excluding the cases set forth in the preceding two items).
- (2) The provisions of Article 250, paragraph (3) apply mutatis mutandis to the specified contracts prescribed in the preceding paragraph. In this case, the term "the following paragraph" is deemed to be replaced with "Article 254, paragraph (3)".
 - (3) The insurance company, etc. referred to in paragraph (1), on the date of sending the convocation notices for the shareholders meeting, etc. at which a resolution is to be made on the approval set forth in Article 783, paragraph (1) (Approval, of the Absorption-Type Merger Agreements), Article 795, paragraph (1) (Approval of the Absorption-Type Merger Agreements), or Article 804, paragraph (1) (Approval of the Consolidation-Type Merger Agreements, etc.) of the Companies Act, or Article 165-3, paragraph (1), Article 165-10, paragraph (1), or Article 165-16, paragraph (1) (including as applied mutatis mutandis pursuant to Article 165-20), must give public notice to the effect that the relevant shareholders meeting, etc. is to be held and that a resolution on the approval of a merger agreement is the purpose of the meeting.
 - (4) The insurance company, etc. set forth in paragraph (1) must suspend all of its business (excluding business for paying covered insurance proceeds and business for canceling specified covered insurance contracts) from the time of public notice as set forth in the preceding paragraph, excluding the case if already at the time of public notice, the suspension of all of its business has been ordered pursuant to the provisions of Article 241, paragraph (1) or all of its business has been suspended pursuant to the provisions of the main text of Article 245 (including as applied mutatis mutandis pursuant to Article 258, paragraph (2)), the main text of Article 250, paragraph (5), the main text of this paragraph, or the main text of Article 255-2, paragraph (3); provided,

however, that this does not apply to a part its business which the Prime Minister has found it necessary not to suspend upon report from that insurance company, etc.

(Special Provisions on Public Notice and Objection Regarding Merger)

- Article 255 (1) The insurance company, etc. set forth in paragraph (1) of the preceding Article, must attach a supplementary note to the public notice under the provisions of Article 165-7, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-12), Article 165-17, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-20), or Article 165-24, paragraph (2) on the main content of changes to the rights and duties of policyholders caused by changes to the contract terms and any other particulars specified by Cabinet Office Order or Order of the Ministry of Finance.
- (2) With regard to the application of the provisions of Article 70, paragraph (6), as applied mutatis mutandis pursuant to Article 165-7, paragraph (4) (including as applied mutatis mutandis pursuant to Article 165-12), Article 88, paragraph (6), as applied mutatis mutandis pursuant to Article 165-17, paragraph (4) (including as applied mutatis mutandis pursuant to Article 165-20), or Article 165-24, paragraph (6) in the case if a merger is to be made as set forth in paragraph (1) in the preceding Article, in these provisions, the phrase "insurance contracts under which the right to insurance claims, etc. had already arisen at the time of public notice under the provisions of that paragraph (limited to those contracts that would be terminated with payment pertaining to the insurance claims, etc.)" is deemed to be replaced with "insurance contracts prescribed in Article 250, paragraph (3), as applied mutatis mutandis pursuant to Article 254, paragraph (2)", the term "one fifth" is deemed to be replaced with "one tenth", the term "insurance claims, etc." is deemed to be replaced with "insurance claims pertaining to the specified contracts prescribed in Article 250, paragraph (3), as applied mutatis mutandis pursuant to Article 254, paragraph (2), and any other rights specified by Cabinet Order".
- (3) In the case of a merger as set forth in paragraph (1) of the preceding Article, the insurance company, etc. that survives after the merger or the insurance company, etc. that is incorporated by the merger, within three months after the merger, must notify the policyholders of the insurance company, etc. referred to in that paragraph to that effect and of the content of the rights and duties of policyholders after the changes to contract terms.

(Changes to the Contract Terms in an Acquisition of Shares)

Article 255-2 (1) An insurance company, etc. or foreign insurance company, etc.

may, in the following cases (limited to cases in which shares are acquired in order to set in place the particulars specified by the Prime Minister and the Minister of Finance as necessary for ensuring the sound and appropriate business operation of the insurance company, etc. or foreign insurance company, etc., and for protecting policyholders, etc.), prepare a plan to change the contract terms and change the terms of insurance contracts (excluding specified contracts) with that insurance company, etc. or foreign insurance company, etc. In this case, the main content of changes to the rights and duties of policyholders caused by the changes to contract terms and any other particulars specified by Cabinet Office Order or Order of the Ministry of Finance must be specified in the plan to change contract terms:

- (i) if a discussion has been ordered, pursuant to the provisions of Article 241, paragraph (1) for a company to become the subsidiary company of another insurance company, etc., or foreign insurance company, etc., or of an insurance holding company, etc. through an acquisition of its shares, and the company becomes the subsidiary company of another insurance company, etc., or foreign insurance company, etc., or of an insurance holding company, etc. through the acquisition of its shares;
 - (ii) if a company is a managed company and has become the subsidiary company of another insurance company, etc., or foreign insurance company, etc., or of an insurance holding company, etc. through an acquisition of its shares in accordance with a plan as set forth in Article 247, paragraph (1) for which the approval set forth in the paragraph (2) in that Article has been received (including the approval of the changes set forth in the paragraph (4) in that Article);
 - (iii) if a company is a bankrupt insurance company as prescribed in Article 260, paragraph (2) that has received the authorization of the Prime Minister as set forth in Article 268, paragraph (1), and has become the subsidiary company of a relief insurance company or relief insurance holding company, etc. as prescribed in Article 260, paragraph (3) through an acquisition of its shares (excluding the cases set forth in the preceding two items).
- (2) The provisions of Article 250, paragraph (3) apply mutatis mutandis to the specified contracts prescribed in the preceding paragraph. In this case, the term "the following paragraph" in paragraph (3), item (i) in that Article is deemed to be replaced with "Article 255-4, paragraph (1)".
- (3) An insurance company, etc. or foreign insurance company, etc. that seeks to make the changes to the contract terms set forth in paragraph (1) (hereinafter referred to as "changed company" in this Subsection) is to suspend all of its business (excluding business for paying covered insurance proceeds and business for canceling specified covered insurance contracts) from the time of public notice as set forth in Article 255-4, paragraph (1), excluding the case if

already at the time of public notice, the suspension of all of its business has been ordered pursuant to the provisions of Article 241, paragraph (1) or all of its business has been suspended pursuant to the provisions of the main clause of Article 245 (including as applied mutatis mutandis pursuant to Article 258, paragraph (2)), the main text of Article 250, paragraph (5), the main text of Article 254, paragraph (4), or the main text of this paragraph; provided, however, that this does not apply to a part of its business the Prime Minister has found it necessary not to suspend, upon report from that insurance company, etc. or foreign insurance company, etc.

(Keeping of Documents Related to the Changes to the Contract Terms)

Article 255-3 (1) A changed company, from the date of public notice under the provisions of the paragraph (1) in the following Article until the last day of the period of the supplementary note attached to the public notice of the paragraph (1) in that Article pursuant to the provisions of the paragraph (2) in that Article, must keep the documents or electronic or magnetic records in which the content of the plan to change the contract terms and any other particulars specified by Cabinet Office Order or Order of the Ministry of Finance are stated or recorded, at the company's business offices or other offices.

(2) Policyholders under an insurance contract that is to be changed pursuant to a plan to change contract terms (referred to as "policyholders subject to the changes" in the following Article) may make the following requests to the changed company during its operating hours or business hours; provided, however, that the policyholders must pay the expenses determined by that changed company in making a request falling under item (ii) or (iv):

(i) a request to inspect the documents set forth in the preceding paragraph;

(ii) a request to be issued a certified copy or extract of the documents set forth in the preceding paragraph;

(iii) a request to inspect anything that shows the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph in a means specified by Cabinet Office Order or Order of the Ministry of Finance;

(iv) a request to be provided with the particulars recorded in the electronic or magnetic records set forth in the preceding paragraph by electronic or magnetic means determined by that changed company, or to be issued a document stating the particulars.

(Public Notice and Objection Regarding Changes to the Contract Terms)

Article 255-4 (1) A changed company, on the day of preparation of a plan to change the contract terms, must make a public notice on the outline of the plan to change the contract terms and the balance sheet and any other particulars specified by Cabinet Office Order or Order of the Ministry of Finance.

- (2) The public notice set forth in the preceding paragraph must be attached with a supplementary note to the effect that a policyholder subject to the changes who has an objection must raise that objection within a certain period of time.
- (3) The period under the preceding paragraph may not be less than one month.
- (4) The contract terms must not be changed when the number of policyholders subject to the changes who have raised objections within the period of time set forth in paragraph (2) exceeds one tenth of the total number of policyholders subject to the changes and the amount specified by Cabinet Office Order or Order of the Ministry of Finance as an amount equivalent to the sum of the claims pertaining to the insurance contracts of policyholders subject to the changes who have raised such objections exceeds one tenth of the total amount of that amount of policyholders subject to the changes.
- (5) When the number of policyholders subject to the changes who have raised their objections within the period of time set forth in paragraph (2) or the amount specified by Cabinet Office Order or Order of the Ministry of Finance belonging to those policyholders as set forth in the preceding paragraph does not exceed the percentage specified in that paragraph, all of the policyholders subject to the changes are deemed to have approved the relevant changes to contract terms.

(Public Notice of the Changes to the Contract Terms)

- Article 255-5 (1) A changed company, without delay after the changes to the contract terms are made, must make public notice of the fact that changes to the contract terms have been made and of the particulars specified by Cabinet Office Order or Order of the Ministry of Finance. The same applies even when changes to the contract terms are not made.
- (2) A changed company, within three months after the changes to the contract terms are made, must notify the policyholders pertaining to the relevant changes to the contract terms of the content of the rights and duties of policyholders after the relevant changes to the contract terms are made.

Section 3 Order to Implement Procedures for Mergers

(Designation of the Other Party to Discussions of a Merger)

- Article 256 (1) The Prime Minister may, when an insurance company (including a foreign insurance company, etc.; hereinafter the same applies in this Chapter, except in Article 260, paragraph (1), item (ii), Article 260, paragraph (6), and Article 260, paragraph (8), item (ii), and Article 270-6) falls under the category of a bankrupt insurance company (meaning a bankrupt insurance company as prescribed in Article 260, paragraph (2); hereinafter the same applies in this Section) and the Prime Minister finds it necessary, designate another

insurance company or insurance holding company, etc. as the other party with which that bankrupt insurance company is to hold a discussion of a merger, etc., and recommend that other insurance company or insurance holding company, etc. to agree to participate in the discussion.

- (2) If and to the extent that the Prime Minister finds it necessary for making the recommendation set forth in the preceding paragraph, the Prime Minister may deliver materials related to the status of the business or property of a bankrupt insurance company or an insurance company recognized as having a high probability of becoming a bankrupt insurance company to another insurance company or insurance holding company, etc., and make any other necessary preparations for the recommendation.
- (3) The Prime Minister may request necessary cooperation concerning the recommendation set forth in the paragraph (1) or the preparations set forth in the preceding paragraph, from the policyholders protection corporation to which the bankrupt insurance company or the insurance company recognized as having a high probability of becoming a bankrupt insurance company belongs as a member.

(Mediation of the Merger Conditions)

Article 257 (1) The Prime Minister may, when no agreement is reached in the case set forth in paragraph (1) of the preceding Article, hear in advance the opinions of the bankrupt insurance company pertaining to the recommendation set forth in that paragraph and the opinions of the other insurance company or insurance holding company, etc. that received the recommendation set forth in that paragraph, conduct necessary mediation by indicating the conditions.

- (2) The provisions of paragraph (2) and paragraph (3) of the preceding Article apply mutatis mutandis to the mediation set forth in the preceding paragraph. In this case, the phrase "bankrupt insurance company or an insurance company recognized as having a high probability of becoming a bankrupt insurance company" in paragraph (2) in that Article is deemed to be replaced with "bankrupt insurance company".

(Order to Implement Merger Procedures)

Article 258 (1) The Prime Minister may, in the case set forth in paragraph (1) of the preceding Article, when the other insurance company or insurance holding company, etc. of that paragraph has agreed to the conditions pertaining to the mediation, order the bankrupt insurance company pertaining to the mediation set forth in that paragraph to conduct the procedures necessary to execute the merger, etc., in accordance with the relevant conditions.

- (2) The provisions of Article 245 apply mutatis mutandis to the case set forth in the preceding paragraph (excluding the case if a disposition ordering

management has been received). In this case, the term "receiver of an insurer" in the proviso to that Article is deemed to be replaced with "the bankrupt insurance company".

**Section 4 Financial Assistance Provided by Policyholders Protection
Corporations
Subsection 1 Policyholders Protection Corporation
Division 1 General Provisions**

(Purpose)

Article 259 The purpose of a policyholders protection corporation (hereinafter referred to as a "Corporation" in this Section, the following Section, Part V, and Part VI) is to protect policyholders, etc. by providing financial assistance in the transfer, etc. of insurance contracts pertaining to a bankrupt insurance company, providing business management for the succeeding insurance company, underwriting insurance contracts, providing financial assistance pertaining to the payment of covered insurance proceeds, and purchasing the insurance claims, etc. thereby maintaining credibility of insurance business.

(Definitions)

Article 260 (1) The term "transfer, etc. of insurance contracts" as used in this Section refers to the following actions:

- (i) the transfer, between a bankrupt insurance company and another insurance company, of insurance contracts pertaining to all or some of the insurance contracts pertaining to a bankrupt insurance company; and
- (ii) the survival, by a merger of a bankrupt insurance company (excluding a foreign insurance company, etc.) and another insurance company, of that other insurance company;
- (iii) the action which is performed in order to set in place the particulars specified by the Prime Minister and the Minister of Finance as necessary for ensuring sound and appropriate operations in the business of a bankrupt insurance company (in the case of foreign insurance companies, etc., business in Japan; hereinafter the same applies in the following paragraph and the following Subsection) and for protecting policyholders, etc. by the acquisition of the shares of that bankrupt insurance company under another insurance company or insurance holding company, etc.

(2) The term "bankrupt insurance company" as used in this Section means the following persons:

- (i) a person that is likely to suspend the payment of insurance proceeds or that has suspended the payment of insurance proceeds in the view of the status of business or property (in the case of foreign insurance companies, etc.,

- property in Japan; hereinafter the same applies in the following item); and
- (ii) a person that is unable to satisfy its obligations with its property or a person for which a situation in which it is unable to satisfy its obligations with its property is likely to arise.
- (3) The term "relief insurance company" as used in this Section means a person that is not a bankrupt insurance company among insurance companies that conduct a transfer, etc. of insurance contracts; the term "relief insurance holding company, etc." means an insurance holding company, etc. that acquires the shares specified in paragraph (1), item (iii).
- (4) The term "financial assistance" as used in this Section means the donation of money, the purchase of assets, or the securing of damage.
- (5) The term "securing of damage" as used in this Section means, in the case if a loss is caused by the collection of the assets specified in the following items at amounts that fall below their book value or by any other grounds, the compensation of all or part of the amount of the relevant loss to the person specified in each of the items based on a contract that was concluded in advance:
- (i) assets assumed by a relief insurance company, a secondary successor insurance company (meaning an insurance company which implements succession of taken over insurance contracts and is other than a successor insurance company; the same applies hereinafter), or a secondary transferee insurance company (meaning an insurance company that implements a secondary transfer of insurance contracts ; the same applies hereinafter) by the transfer of insurance contracts as prescribed in paragraph (1), item (i), paragraph (8), item (i), or paragraph (11) or by a merger as prescribed in paragraph (1), item (ii) or paragraph (8), item (ii): the relief insurance company, secondary successor insurance company, or secondary transferee insurance company;
 - (ii) the assets of an insurance company whose shares were acquired as prescribed in paragraph (1), item (iii) or paragraph (8), item (iii): the insurance company.
- (6) The term "successor insurance company" as used in this Section refers to an insurance company, the main purpose of which is to take over the insurance contracts of a bankrupt insurance company by a transfer of insurance contracts or merger and to manage and dispose of the insurance contracts taken over, and which is incorporated as the subsidiary company of a Corporation (meaning a company in which the Corporation holds voting rights exceeding 50 percent of all shareholders' voting rights; the same applies hereinafter).
- (7) The term "succession of insurance contracts" as used in this Section means the taking over by a successor insurance company, of the insurance contracts of a bankrupt insurance company by a transfer of insurance contracts or merger

and the management and disposition of the insurance contracts taken over.

- (8) The term "succession of insurance contracts taken over" as used in this Section refers to the following actions:
- (i) the transfer, between a successor insurance company and another insurance company, of insurance contracts that represent all or part of those pertaining to the successor insurance company;
 - (ii) the survival, by a merger between a successor insurance company and another insurance company, of the other insurance company; and
 - (iii) the action that is performed in order to set in place the particulars specified by the Prime Minister and the Minister of Finance as necessary for ensuring the sound and appropriate business operation of a successor insurance company and for protecting policyholders, etc. by the acquisition of the shares of that successor insurance company under another insurance company or insurance holding company, etc.
- (9) The term "underwriting of insurance contracts" as used in this Section refers to the receiving of a transfer of insurance contracts pertaining to all or a part of the insurance contracts of a bankrupt insurance company pursuant to a contract between a corporation and that bankrupt insurance company.
- (10) The term "management and disposition of insurance contracts" as used in this Section refers to the acceptance of insurance premiums and the payment of insurance proceeds, refunds, or any other benefit based on insurance contracts, the utilization of money accepted as insurance premiums under insurance contracts and any other assets, the conclusion of reinsured insurance contracts pertaining to insurance contracts, the transfer of insurance contracts to insurance companies, and any other particulars specified by Cabinet Office Order or Order of the Ministry of Finance as pertaining to insurance contracts.
- (11) The term "secondary transfer of insurance contracts" as used in this Section refers to the transfer, between a Corporation that has underwritten insurance contracts and an insurance company, of insurance contracts that represent all or part of those that had been taken over by the underwriting thereof.

(Legal Personality)

Article 261 A Corporation is a corporation.

(Types of Corporations)

Article 262 (1) A Corporation, for each class of license for insurance business, is to accept as its members insurance companies that have received a license that falls under that class of license.

(2) The classes of license set forth in the preceding paragraph are the following two classes:

(i) life insurance business licenses, foreign life insurance business licenses, and

- specified life insurance business licenses;
- (ii) non-life insurance business licenses, foreign non-life insurance business licenses, and specified non-life insurance business licenses.

(Name)

Article 263 (1) A Corporation must use the letters "保険契約者保護機構 (Hoken Keiyakusha Hogo Kiko)" (which means "policyholders protection corporation") in its name.

(2) No person other than a Corporation may use the letters "保険契約者保護機構 (policyholders protection corporation)" in its name.

(Registration)

Article 264 (1) A Corporation must complete its registration pursuant to the provisions of Cabinet Order.

(2) No particulars that must be registered pursuant to the provisions of the preceding paragraph may be duly asserted against a third party prior to the registration.

(Mutatis Mutandis Application of the Act on General Incorporated Associations and General Incorporated Foundations)

Article 265 The provisions of Article 4 (Address) and Article 78 (Liability for Damages Due to the Actions of the Representative) of the Act on General Incorporated Associations and General Incorporated Foundations apply mutatis mutandis to a Corporation.

Division 2 Members

(Member Qualifications)

Article 265-2 (1) The persons holding qualifications to be members of a Corporation is limited to insurance companies (excluding insurance companies specified by Cabinet Order; hereinafter the same applies in the following Article).

(2) A Corporation must not refuse entry to the persons who hold the qualifications to be members nor set unreasonable conditions with respect to their entry.

(Obligation to Join)

Article 265-3 (1) An insurance company as a member, must join one Corporation that accepts as its members insurance companies that have received a license that belongs to the class of license prescribed in Article 262, paragraph (2) (hereinafter referred to as "class of license" in the following paragraph) that is

the same as its license.

- (2) A person who seeks to receive a license set forth in Article 3, paragraph (1), Article 185, paragraph (1), or Article 219, paragraph (1) (excluding persons specified by Cabinet Order), at the time of application for that license, must undertake the procedures for joining one Corporation that accepts as its members insurance companies that are to receive the license falling under the class of license that is the same as that license, pursuant to the provisions of Cabinet Office Order or Order of the Ministry of Finance.
- (3) A person who has undertaken the procedures to join a Corporation pursuant to the provisions of the preceding paragraph becomes a member of the relevant Corporation upon receiving the license set forth in that paragraph.
- (4) When an insurance company becomes a member of a Corporation pursuant to the provisions of the preceding paragraph, the Corporation must promptly report this to the Prime Minister and the Minister of Finance.

(Withdrawal)

Article 265-4 (1) A member is to withdraw from a Corporation due to the following grounds:

- (i) rescission of license;
 - (ii) expiration of license.
- (2) A member may not withdraw from a Corporation, except in the cases due to the grounds listed in the items of the preceding paragraph or in the case where the member receives approval from the Prime Minister and Minister of Finance and becomes a member of another Corporation.
 - (3) In the case if a member withdraws from a Corporation, when there are expenses incurred by the Corporation to perform obligations pertaining to the borrowing of funds as follows, the member is to assume the obligation to pay as its contribution an amount calculated by the Corporation pursuant to the provisions of Cabinet Office Order or Order of the Ministry of Finance as the expenses that must be borne by the members:
 - (i) the borrowing of funds performed pursuant to the provisions of Article 265-42 in order to implement the business listed in Article 265-28, paragraph (1), items (iii) through (vii) and Article 265-28, paragraph (2), items (i) through (iii) that the Corporation has decided to carry out by the day of the withdrawal;
 - (ii) the borrowing of funds that is to be performed pursuant to the provisions of Article 265-42 in order to implement the business listed in Article 265-28, paragraph (1), items (iii) through (vii) and Article 265-28, paragraph (2), items (i) through (iii) that the Corporation has decided to carry out by the day of the withdrawal.
 - (4) When an application has been filed for the approval set forth in paragraph (2),

the Prime Minister and Minister of Finance may only give their approval if the member to which the application pertains conforms to the following standards:

- (i) the member has satisfied the obligations it bears as a member of the Corporation it seeks to withdraw from;
- (ii) the member appears certain to perform the obligation to pay as its contribution the amount calculated as prescribed in the preceding paragraph pursuant to the provisions of that paragraph;
- (iii) the member has undertaken procedures to enter another Corporation as a member.

(Monetary Sanction for Members)

Article 265-5 A Corporation may, pursuant to the provisions specified by the articles of incorporation, impose a monetary sanction on a member that has violated any provisions of this Section or the Corporation's articles of incorporation or any other rules.

Division 3 Establishment

(Incorporators)

Article 265-6 In order to incorporate a Corporation, ten or more insurance companies that seek to become its members must become the incorporators.

(Organizational Meetings)

- Article 265-7 (1) The incorporators, after preparing articles of incorporation and a business plan must invite those who seek to become members, and make public notice of the articles of incorporation and the business plan together with the time and location of the meeting at least two weeks before the date the meeting is held, and hold an organizational meeting.
- (2) Approval of the articles of incorporation and business plan and the decision on any other particulars necessary for the incorporation of a Corporation must be made by resolutions at the organizational meetings.
 - (3) The agenda of the organizational meeting set forth in the preceding paragraph is decided by a two-thirds majority vote of those in attendance at the meeting if at least one half of the incorporators and the persons with the qualifications to become members who have notified the incorporators in writing by the date of the organizational meeting that they will become members are present.
 - (4) The following particulars and any other particulars that are necessary to the operation of business in the business year including the date of incorporation of a Corporation may be decided by the resolution of the organizational meeting, notwithstanding the provisions of Article 265-25 and Article 265-34, paragraph

- (3):
- (i) the creation of business rules;
 - (ii) the decision of the budget and financial plan for the business year including the date of incorporation of the Corporation;
 - (iii) the decision of the contribution rate prescribed in Article 265-34, paragraph (1), items (i) and (ii).
- (5) The provisions of Article 265-26, paragraph (2) apply mutatis mutandis to the case in which the particulars prescribed in the preceding paragraph are to be the agenda of the organizational meeting pursuant to the provisions of that paragraph. In this case, the term "items (i), (iii), and (v) of the preceding Article", is deemed to be replaced with "Article 265-7, paragraph (4), item (i)".
- (6) The provisions of Article 265-27-4 and Article 265-27-5 apply mutatis mutandis to the resolutions of the organizational meeting.

(Application for Authorization for Incorporation)

Article 265-8 (1) The incorporators, without delay after the end of the organizational meeting, must apply for approval for incorporation by submitting an application for approval stating the following particulars to the Prime Minister and the Minister of Finance:

- (i) name;
 - (ii) office address;
 - (iii) names of the officers and members.
- (2) Documents stating the articles of incorporation, business plan, and any other particulars specified by Cabinet Office Order or Order of the Ministry of Finance must be attached to the application for approval set forth in the preceding paragraph.

(Approval for Incorporation)

Article 265-9 (1) When an application has been filed for the approval under the provisions in paragraph (1) of the preceding Article, the Prime Minister and Minister of Finance must examine whether the application conforms to the following standards:

- (i) the procedure of incorporation and the content of the articles of incorporation and the business plan conform to the provisions of laws and regulations;
- (ii) there are no false statements in the articles of incorporation and the business plan;
- (iii) there are no persons who fall under any of the items listed in Article 265-16 among the officers;
- (iv) it is found to be certain that business operation will be undertaken appropriately;

(v) the organization of the Corporation pertaining to the application conforms to the provisions of this Act.

(2) The Prime Minister and the Minister of Finance must authorize the incorporation if it is found as a result of the examination pursuant to the provisions of the preceding paragraph, that the application conforms to the standards given in that paragraph.

(Succession of Affairs)

Article 265-10 When an approval for incorporation has been granted, the incorporators must, without delay, hand over their affairs to the president of a Corporation.

(Period of Incorporation)

Article 265-11 (1) A Corporation is to be incorporated upon completing the registration of its incorporation at the location of its principal office.

(2) When a Corporation has completed the registration of its incorporation as set forth in the preceding paragraph, it must notify the Prime Minister and the Minister of Finance of this without delay.

Division 4 Management

(Articles of Incorporation)

Article 265-12 (1) A Corporation's articles of incorporation must state the following particulars:

(i) purpose;

(ii) name;

(iii) location of the office;

(iv) the particulars of the members;

(v) the particulars of the officers;

(vi) the particulars of the management committee and the evaluation examination board;

(vii) the particulars of the general meeting;

(viii) the particulars of its business and the execution thereof;

(ix) the particulars of contributions;

(x) particulars related to finances and accounting;

(xi) particulars related to dissolution;

(xii) particulars related to the amendment of the articles of incorporation;

(xiii) means of public notices.

(2) Amendments to a Corporation's articles of incorporation are to be null and void without the approval of the Prime Minister and Minister of Finance.

(Decisions on Officers and Business)

- Article 265-13 (1) A Corporation is to have one president, two or more directors, and one or more auditors as officers.
- (2) The business of a Corporation is decided by the president and the majority of directors, unless otherwise provided for in the articles of incorporation.

(Duties and Authority of Officers)

- Article 265-14 (1) The president is to represent a Corporation and preside over its business.
- (2) The directors, as determined by the president, represent a Corporation, are to assist the president in administering the business of the Corporation, act on behalf of the president when the president is unavailable, and perform the duties of the president when their position is vacant.
- (3) The auditors are to audit the state of a Corporation's business and accounting, and report the results of those audits to the general meeting.
- (4) The auditors may, when it is found necessary based on the results of audits, submit opinions to the president or to the Prime Minister and the Minister of Finance.

(Appointment, Dismissal, and Term of Office of Officers)

- Article 265-15 (1) Officers are appointed or dismissed at general meetings pursuant to the provisions of the articles of incorporation; provided, however, that the officers at the time of incorporation are appointed at the organizational meeting.
- (2) The appointment and dismissal of officers under the provisions of the preceding paragraph is to be null and void without the approval of the Prime Minister and Minister of Finance,
- (3) The term of office of officers is a period of time within two years as specified by the articles of incorporation; provided, however, that the term of office of officers at the time of incorporation is a period of time within two years as specified at the organizational meeting.
- (4) Officers may be reappointed.

(Grounds for Ineligibility of Officers)

- Article 265-16 Persons who fall under any of the following items may not become officers:
- (i) in the case if a Corporation had its approval for incorporation rescinded pursuant to the provisions of Article 265-47, a person who was an officer within the 30 days prior to the date of that rescission, and five years have not elapsed from the date of that rescission;
- (ii) a person specified by Cabinet Office Order or Order of the Ministry of

Finance as being unable to properly perform their duties due to a mental or physical disorder or a person who has become subject to an order commencing bankruptcy proceedings and has not been released from bankruptcy restrictions;

(iii) a person who has been sentenced to imprisonment without work or severer punishment, and for whom five years have not elapsed from the date the execution of the sentence was completed or ceased to be subject to the sentence;

(iv) a person who has been sentenced to punishment by fine pursuant to the provisions of this Act, and for whom five years have not elapsed from the date the execution of the sentence was completed or ceased to be subject to the sentence.

(Prohibition of Concurrent Holding of Posts by Auditors)

Article 265-17 No auditor may concurrently hold the post of president, director, management committee member, evaluation examination board member, or employee of a Corporation.

(Restrictions on Representative Authority)

Article 265-18 With regard to particulars on which there exists conflict of interests between a Corporation and the president or directors, these persons are not to have the representative authority. In this case, the auditor is to represent the Corporation, pursuant to the provisions specified by the articles of incorporation.

Article 265-18-2 The president may appoint, from among the employees of a Corporation, an agent who has the authority to undertake all action in and out of the court related to part of the business of the Corporation.

(Management Committees)

Article 265-19 (1) A Corporation is to have a management committee (hereinafter referred to as the "Committee" in this Chapter).

(2) The Committee is to deliberate on material matters related to the management of the Corporation's business (excluding the particulars of the evaluation of the property of a bankrupt insurance company as prescribed in paragraph (2) of the following Article) in response to the request by the president, in addition to dealing with the matters under its authority pursuant to this Act.

(3) The Committee may state its opinion to the president concerning the management of the Corporation's business.

(4) Members of the Committee are appointed by the president, with the approval

of the Prime Minister and the Minister of Finance, from among persons with relevant knowledge and experience necessary for appropriate management of the Corporation's business.

- (5) Beyond what is provided for in the preceding paragraphs, necessary particulars of the organization and management of the Committee are specified by Cabinet Office Order or Order of the Ministry of Finance.

(Evaluation Examination Boards)

Article 265-20 (1) A Corporation is to have an evaluation examination board (hereinafter referred to as "examination board").

- (2) The examination board is to and deliberate on matters that are necessary in the evaluation of the property of a bankrupt insurance company (in the case of foreign insurance companies, etc., property located in Japan) that is a member of the Corporation in response to the request by the president, in addition to dealing with the particulars under its authority pursuant to the provisions of the following Subsection.

- (3) Members of the examination board are appointed by the president, with the approval of the Prime Minister and the Minister of Finance, from among persons with relevant knowledge and experience or expert knowledge regarding insurance or evaluation of property.

- (4) Beyond what is provided for in the preceding three paragraphs, necessary particulars of the organization and management of the examination board are specified by Cabinet Office Order or Order of the Ministry of Finance.

(Confidentiality Obligation of Officers)

Article 265-21 The Corporation's officers (meaning the officers set forth in Article 265-13, paragraph (1); the same applies hereinafter) or employees, members of the Committee, members of the examination board, or those who held these positions, must not divulge or misappropriate any secret learned regarding their duties.

(Status of Officers as Government Employees)

Article 265-21-2 With regard to the application of the Penal Code (Act No. 45 of 1907) and other penal provisions, a Corporation's officers and employees, members of the Committee, and members of the examination board are deemed to be employees engaged in public service pursuant to laws and regulations.

(Public Inspection of the Membership List)

Article 265-22 A Corporation, pursuant to the provisions of Cabinet Office Order or Order of the Ministry of Finance, must prepare a membership list, submit the list to the Prime Minister and Minister of Finance, and make it available

for public inspection.

Division 5 General Meeting

(Convocation of the General Meeting)

Article 265-23 (1) The president, pursuant to the provisions of the articles of incorporation, must convene an ordinary general meeting once every business year.

(2) If the president finds it necessary, the president may call an extraordinary general meeting.

(Attendance of Designated Employees at Meetings)

Article 265-24 Employees designated by the Prime Minister and Minister of Finance, respectively, may attend a general meeting and state their opinions.

(Particulars to Be Decided at General Meetings)

Article 265-25 In addition to what is otherwise specified in this Act, decisions on the following particulars must be made by the resolution of the general meeting:

- (i) the amendment of the articles of incorporation;
- (ii) decisions on or changes to the budget and financial plan;
- (iii) creation of or changes to business rules;
- (iv) settlement of accounts;
- (v) dissolution;
- (vi) any other particulars specified by the articles of incorporation.

(Agenda of General Meetings)

Article 265-26 (1) A Corporation may not hold a meeting or vote on a resolution without the attendance of at least one half of its total members at its general meeting.

(2) Decisions on the agenda of a general meeting are made by the majority vote of those in attendance at the meeting, and the chairperson makes the decisions in the event of a tie; provided, however, that decisions on the particulars listed in items (i), (iii), and (v) of the preceding Article are made by a two-thirds majority vote of those present.

(3) The chairperson is governed by the provisions specified in the articles of incorporation.

(Extraordinary General Meetings)

Article 265-27 The president must convene an extraordinary general meeting when one-fifth or more of all of the members request the meeting by indicating

a particular that is a subject for the meeting; provided, however, that a proportion that differs with the proportion of one fifth of all of the members can be specified by the articles of incorporation.

(Convocation of General Meetings)

Article 265-27-2 A notice of convocation for a general meeting must be made in accordance with the means specified by the articles of incorporation at least five days prior to the day of the general meeting, and must indicate the particular that is the subject of that general meeting.

(Particulars to Be Resolved at a General Meeting)

Article 265-27-3 Only the particulars for which notice was given in advance pursuant to the provisions of the preceding Article may be resolved at a general meeting; provided, however, that this does not apply when otherwise provided for in the articles of incorporation.

(Voting Rights of the Members)

Article 265-27-4 (1) The voting rights of members are equal.

(2) Members who do not attend a general meeting may vote in writing or through a proxy.

(3) The provisions of the preceding two paragraphs do not apply if otherwise provided for in the articles of incorporation.

(Case Where a Member Has No Voting Right)

Article 265-27-5 When a decision is to be made regarding the relationship between a Corporation and a certain member, that member has no voting right.

Division 6 Business

(Business)

Article 265-28 (1) A Corporation is to undertake the following business in order to accomplish the purpose specified in Article 259:

- (i) business as a receiver or receiver representative of an insurer under the provisions of Article 243, paragraph (3);
- (ii) the receipt and management of contributions under the provisions of the following Division;
- (iii) financial assistance in the transfer, etc. of insurance contracts, succession of insurance contracts, succession of insurance contracts taken over, and secondary transfer of insurance contracts under the provisions of the following Subsection;
- (iv) business for providing executive management for the successor insurance

- company and any other business for succession of insurance contracts pursuant to the provisions of the following Subsection:
- (v) underwriting of insurance contracts pertaining to a bankrupt insurance company and the management and disposition of insurance contracts pertaining to the underwriting of insurance contracts pursuant to the provisions of the following Subsection;
 - (vi) financial assistance pertaining to the payment of covered insurance proceeds pursuant to the provisions of the following Subsection;
 - (vii) purchasing of the insurance claims, etc. pursuant to the provisions of Subsection 3;
 - (viii) submission of a list of policyholders pursuant to the provisions of Chapter IV, Section 6 (Authority of Policyholders Protection Corporations) and Chapter VI, Section 4 (Authority of Policyholders Protection Corporations) of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions (Act No. 95 of 1996), and any other business under these provisions;
 - (ix) businesses of a bankruptcy trustee, provisional administrator, bankruptcy trustee representative or provisional administrator representative appointed pursuant to the provisions of the Bankruptcy Act (Act No. 75 of 2004); businesses of a trustee, trustee representative, provisional administrator, provisional administrator representative or supervisor appointed pursuant to the provisions of the Corporate Reorganization Act; businesses of a trustee, trustee representative, provisional administrator, provisional administrator representative or supervisor appointed pursuant to the provisions of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions; or businesses of a recognized trustee, provisional administrator, recognized trustee representative or provisional administrator representative appointed under the provisions of Act on Recognition of and Assistance for Foreign Insolvency Proceedings (Act No. 129 of 2000);
 - (x) businesses of a special surveillance agent prescribed in Article 126-4, paragraph (3) (Special Surveillance Agent) of the Deposit Insurance Act;
 - (xi) businesses of Corporation representative prescribed in Article 126-6, paragraph (1) (Corporation Representative) of the Deposit Insurance Act;
 - (xii) business incidental to what is listed in the preceding items.
- (2) In addition to the business listed in the items of the preceding paragraph, a Corporation may conduct the following business within the limit that this does not interfere with the performance of business listed in items (iii) through (vii) of that paragraph:
- (i) lending of funds to its members;
 - (ii) lending of funds to policyholders, etc. of a bankrupt insurance company;
 - (iii) purchase of the property of insurance companies in liquidation (meaning

insurance companies connected with the liquidation; hereinafter the same applies in Article 270-8-2 and Article 270-8-3) pursuant to the provisions of Subsection 4;

(iv) business incidental to those listed in the preceding three items.

(Entrustment of Business)

Article 265-29 (1) A Corporation may not entrust its business to another party, except in the following cases:

(i) the case in which the Corporation entrusts the acceptance of insurance premiums and any other business specified by Cabinet Office Order or Order of the Ministry of Finance among business involving the management and disposition of insurance contracts (hereinafter referred to as the "insurance premiums acceptance services, etc." in this Article) to an insurance company or any other party;

(ii) the case in which the Corporation receives the approval of the Prime Minister and the Minister of Finance in advance and entrusts business other than insurance premiums acceptance services, etc. to an insurance company or any other party.

(2) An insurance company that a Corporation has entrusted with its insurance premiums acceptance services, etc. or business for which it has received the approval set forth in item (ii) of the preceding paragraph, may conduct that business, notwithstanding the provisions of Article 100 (including as applied mutatis mutandis pursuant to Article 199).

(Business Rules)

Article 265-30 (1) With regard to the business listed in each item of Article 265-28, paragraph (1) and paragraph (2) (hereinafter referred to as "financial assistance services, etc."), a Corporation must create business rules related to the implementation of financial assistance services, etc., and receive the approval of the Prime Minister and the Minister of Finance before commencing financial assistance services, etc. The same applies when the organization seeks to change these rules.

(2) The business rules set forth in the preceding paragraph must specify the particulars of financial assistance, the particulars of the succession of insurance contracts, the particulars of the underwriting of insurance contracts, the particulars of the receipt of contributions, the particulars of the purchase of insurance claims, etc. and any other particulars specified by Cabinet Office Order or Order of the Ministry of Finance.

(3) The Prime Minister and the Minister of Finance may, when they find that the business rules they have approved as set forth in paragraph (1) are inappropriate for the proper and reliable operation of financial assistance

services, etc., order the business rules to be changed.

(Requests for the Submission of Materials)

Article 265-31 (1) A Corporation may request its members to submit materials when it is necessary for conducting its business, in addition to the cases in which the submission of materials is requested pursuant to other provisions of this Section.

(2) Members who have been requested to submit materials pursuant to the provisions of the preceding paragraph must submit the materials without delay.

(3) If the Prime Minister finds it to be particularly necessary for the implementation of a Corporation's business, in the case where there has been a request from the Corporation, the Prime Minister may deliver materials to the Corporation or allow the Corporation to inspect the materials.

Division 7 Contribution

(Policyholders Protection Funds)

Article 265-32 (1) A Corporation is to establish policyholders protection funds as funds to be allocated for covering expenses incurred in implementing financial assistance services, etc.

(2) Policyholders protection funds may not be used except in the case where they are allocated for covering expenses incurred in implementing financial assistance services, etc.

(Payment of Contributions)

Article 265-33 (1) A member must pay its contribution to a Corporation, pursuant to the provisions of the articles of incorporation, for each of the Corporation's business years, to be allocated for covering expenses incurred in implementing financial assistance services, etc.; provided, however, that this does not apply to the business year after a business year in which the balance of policyholders protection funds at the end of that business year of the Corporation reaches an amount calculated pursuant to the provisions of the articles of incorporation as a sufficient amount in view of the estimated amount of expenses the Corporation will incur in implementing financial assistance services, etc.

(2) A Corporation may, in the cases listed in the following items, exempt members corresponding to the insurance companies specified in each of the items from contribution pursuant to the provisions of the articles of incorporation, notwithstanding the provisions of the main text of the preceding paragraph:

(i) if authorization has been granted by the Prime Minister as set forth in

- Article 268, paragraph (1): the bankrupt insurance company pertaining to the authorization;
- (ii) if a supplementary note has been attached by the Prime Minister as set forth in Article 269, paragraph (1): the bankrupt insurance company pertaining to the supplementary note;
 - (iii) if authorization has been granted by the Prime Minister as set forth in Article 270, paragraph (1): the bankrupt insurance company pertaining to the authorization;
 - (iv) if a successor insurance company has been incorporated: the successor insurance company.

(Amount of Contributions)

- Article 265-34 (1) The amount of contributions that members must pay for each of the Corporation's business years are the total of the following amounts (in the case if a minimum amount of contribution has been set by the articles of incorporation, an amount equivalent to that minimum amount when that total amount is less than that minimum amount; hereinafter referred to as "annual amount of contribution" in this paragraph) for each member; provided, however, that the amount of the contribution that must be paid by members in the business year including the day of incorporation of the Corporation is an amount calculated by dividing the annual amount of contribution by 12 and multiplying this by the number of months in the business year including the day of incorporation of the Corporation:
- (i) an amount calculated by multiplying the contribution rate by an amount calculated pursuant to the provisions of Cabinet Office Order or Order of the Ministry of Finance as the amount of insurance premiums received over the year by each member;
 - (ii) an amount calculated by multiplying the contribution rate by an amount calculated pursuant to the provisions of Cabinet Office Order or Order of the Ministry of Finance as the amount of liabilities that must be reserved to be allocated to the payment of policy reserves and any other insurance proceeds, etc. by each member at the end of the business year.
- (2) The number of the months set forth in the provisions of the proviso to the preceding paragraph is one month when a fraction of less than one month results for the calculation made according to the calendar.
- (3) The contribution rate set forth in the items of paragraph (1) is established by a Corporation after the resolution by a general meeting.
- (4) A Corporation must obtain the approval of the Prime Minister and the Minister of Finance when it establishes the contribution rate set forth in the items of paragraph (1) or when it seeks to change the rates.
- (5) The contribution rate referred to in the items of paragraph (1) must be

established so as to conform to the following standards:

- (i) it is a rate that a Corporation's long-term finances will be balanced in view of the estimated amount of expenses the Corporation is to incur in implementing financial assistance services, etc.;
 - (ii) it is a rate for which certain members will not be subject to discriminatory treatment (excluding what is done according to the soundness of the members' operation).
- (6) If the contribution rate is established in conformity with the standards listed in item (i) of the preceding paragraph and the soundness of a member's operation can no longer be maintained due to the payment of contribution, the provisions of that paragraph must not be interpreted as precluding the temporary establishment of a contribution rate that does not conform with the relevant standards.

(Delinquency Charges)

Article 265-35 (1) Members must pay a delinquency charge to the Corporation in the case where they do not pay contribution by the deadline established in the articles of incorporation.

- (2) The amount of the delinquency charge is to be an amount calculated by multiplying the unpaid contribution by 14.5% a year in accordance with the number of days from the day after the due date to the day of payment.

Division 8 Finances and Accounting

(Business Year)

Article 265-36 A Corporation's business year is from 1 April to 31 March of the following year; provided, however, that the business year including the day of incorporation of the Corporation is from the day of that incorporation to the first March 31 thereafter.

(Budget)

Article 265-37 (1) A Corporation that accepts as its members insurance companies that have received a license that falls under the class of license listed in Article 262, paragraph (2), item (i) (hereinafter referred to as "Life Insurance Policyholders Protection Corporation" in this paragraph and in Article 265-42-2), every business year, must prepare a budget and financial plan and receive the approval of the Prime Minister and the Minister of Finance before the start of that business year (in the business year that includes the day of incorporation of the Life Insurance Policyholders Protection Corporation, without delay after incorporation). The same applies when the Corporation seeks to change them.

(2) A Corporation that accepts as its members insurance companies that have received a license that falls under the class of license listed in Article 262, paragraph (2), item (ii) (hereinafter referred to as "Non-Life Insurance Policyholders Protection Corporation" in this paragraph), every business year, must prepare a budget and financial plan and submit them to the Prime Minister and Minister of Finance before the start of that business year (in the business year that includes the day of incorporation of the Non-Life Insurance Policyholders Protection Corporation, without delay after incorporation). The same applies when the Corporation has changed them.

(Approval of Financial Statements)

Article 265-38 (1) Every business year, the president must prepare an inventory of property, balance sheet, and profit and loss statement, and a business report and statement of accounts in accordance with the budget classifications for that business year (referred to as "financial statements, etc." in the following paragraph and following Article) and submit them to the auditor at least four weeks prior to the first ordinary general meeting to be convened after the end of that business year.

(2) The president must attach the written opinion of the auditor to the financial statements, etc. set forth in the preceding paragraph, submit them to the ordinary general meeting set forth in that paragraph, and request its approval.

Article 265-39 (1) Every business year, a Corporation, within three months after the end of that business year, must submit the financial statements, etc. that received the approval of the ordinary general meeting set forth in paragraph (2) of the preceding Article, to the Prime Minister and the Minister of Finance and receive their approval.

(2) When a Corporation submits financial statements, etc. to the Prime Minister and the Minister of Finance pursuant to the provisions of the preceding paragraph, it must attach the written opinion of the auditor to the financial statements, etc.

(3) A Corporation must, without delay, when it has received the approval of the Prime Minister and the Minister of Finance under the provisions of paragraph (1), give public notice of the inventory of property, balance sheet, and profit and loss statement in the Official Gazette, and must keep the financial statements, etc., annexed detailed statement, and the written opinion of the auditor set forth in the preceding paragraph at each office, and provide them for public inspection for a period of time specified by Cabinet Office Order or Order of the Ministry of Finance.

(Separate Accounting)

Article 265-40 With regard to accounting related to business pertaining to the management and disposition of insurance contracts pertaining to the underwriting of insurance contracts (including business incidental to this), a Corporation must establish special accounts, separate from other accounting (hereinafter referred to as "special insurance accounts") for each bankrupt insurance company pertaining to the underwriting of insurance contracts.

(Closure of the Special Insurance Account)

Article 265-41 (1) A Corporation, in the case where it has underwritten insurance contracts pertaining to a bankrupt insurance company that is its member, is to close the special insurance account established for the bankrupt insurance company when there is no longer a need to manage any of the insurance contracts pertaining to the underwriting of insurance contracts due to termination, transfer, or any other grounds.

(2) A Corporation is to, when it has closed a special insurance account pursuant to the provisions of the preceding paragraph, vest the property and debt belonging to the special insurance account to a general account (meaning accounts other than the Corporation's special insurance account (including special accounts prescribed in Article 118, paragraph (1) as applied by deeming the Corporation as an insurance company pursuant to the provisions of Article 270-6, paragraph (2)); the same applies in Article 270-5).

(Borrowings)

Article 265-42 A Corporation may, when it finds it necessary for conducting financial assistance services, etc., receive the approval of the Prime Minister and the Minister of Finance and borrow funds (including refinancing), within the amount specified by Cabinet Order, from an insurance company or financial institution specified by Cabinet Office Order or Order of the Ministry of Finance.

(Government Guarantee)

Article 265-42-2 The government may guarantee an obligation pertaining to the borrowing set forth in the preceding Article of a Life Insurance Policyholders Protection Corporation within the amount approved by a Diet resolution, notwithstanding the provisions of Article 3 of the Act on Limitations of Government Financial Assistance to Corporations (Act No. 24 of 1946).

(Investment of Surplus Funds)

Article 265-43 The surplus funds accrued in the course of business of a Corporation, excluding those belonging to special insurance accounts, must be invested by the following methods:

- (i) retention in national government bonds or any other securities designated by the Prime Minister and the Minister of Finance;
- (ii) deposit in financial institutions designated by the Prime Minister and the Minister of Finance;
- (iii) any other method specified by Cabinet Office Order or Order of the Ministry of Finance.

(Delegation to Cabinet Office Order or Order of the Ministry of Finance)

Article 265-44 The particulars that are necessary to a Corporation's finances and accounting, in addition to what is provided for in Article 265-36 through the preceding Article, are specified by Cabinet Office Order or Order of the Ministry of Finance.

Division 9 Supervision

(Supervision)

Article 265-45 (1) The Corporation is supervised by the Prime Minister and the Minister of Finance.

- (2) The Prime Minister and the Minister of Finance may, when they find it necessary for the enforcement of the provisions of this Section, issue orders necessary for supervising a Corporation.
- (3) The Prime Minister and the Minister of Finance may, when an officer of a Corporation performs an act that violates this Act, orders based on this Act or dispositions based on them, or the articles of incorporation or business rules, order the Corporation to dismiss that officer. In this case, when the Corporation has dismissed the officer after obtaining a resolution of the general meeting, the dismissal is to take effect when the general meeting has reached a resolution, notwithstanding the provisions of Article 265-15, paragraph (2).

(Report and On-Site Inspections)

Article 265-46 The Prime Minister and the Minister of Finance may, within the extent necessary for the enforcement of the provisions of this Section, order a Corporation to submit reports or materials related to its business or property, or have relevant officials enter the Corporation's office and inspect the state of its business or property or its books, documents, and any other articles, or have the officials question the relevant persons.

(Rescission of Approval of Incorporation)

Article 265-47 The Prime Minister and the Minister of Finance may, when a Corporation falls under any of the following items, rescind the approval of

incorporation set forth in Article 265-9, paragraph (2):

- (i) when a Corporation has violated this Act, orders based on this Act, or the articles of incorporation or business rules of the Corporation;
- (ii) when a Corporation has violated dispositions under the provisions of Article 265-30, paragraph (3) or Article 265-45, paragraph (2) or the first sentence of paragraph (3);
- (iii) when a Corporation is found that the continuation of its business would be difficult due to the state of its business or property;
- (iv) when a Corporation has performed an act that harms the public interest.

Division 10 Miscellaneous Provisions

(Dissolution)

Article 265-48 (1) A Corporation is to dissolve due to the following grounds:

- (i) the resolution of the general meeting;
 - (ii) rescission of approval of incorporation under the provisions of the preceding Article.
- (2) Dissolution under the grounds given in item (i) of the preceding paragraph is to be null and void without the approval of the Prime Minister and the Minister of Finance.
- (3) A Corporation, when there are residual assets after it has performed its obligations in the case of dissolution, must vest the residual assets, pursuant to the provisions of Cabinet Office Order or Order of the Ministry of Finance, in the other Corporations that its members are to join.
- (4) The required measures related to the dissolution of a Corporation, in addition to what is provided for in the preceding paragraph, may be specified by Cabinet Order, within the scope deemed reasonably necessary.

Subsection 2 Financial Assistance

Division 1 Request for Financial Assistance

(Request for Financial Assistance for the Transfer of Insurance Contracts)

Article 266 (1) The relief insurance company or the relief insurance holding company, etc. may, in conjunction with a bankrupt insurance company, petition the Corporation with which that bankrupt insurance company is affiliated as a member (hereinafter referred to as the "affiliated Corporation" in this Subsection and the following Subsection) to provide financial assistance with regard to the transfer, etc. of insurance contracts.

- (2) An affiliated Corporation may, when it finds it necessary in the case referred to in the preceding paragraph, request the relief insurance company or the relief insurance holding company, etc. that made the petition under that

paragraph, and the bankrupt insurance company or other relevant persons, for the submission of materials.

- (3) Among the financial assistance prescribed in paragraph (1), the purchase of the property is to be made for the property of the bankrupt insurance company pertaining to the transfer, etc. of insurance contracts.

(Petition Related to the Succession of Insurance Contracts)

Article 267 (1) If the transfer, etc. of insurance contracts is one that has been specified as being difficult by Cabinet Office Order and Order of the Ministry of Finance on the grounds that there is no prospect of finding a relief insurance company or relief insurance holding company, etc., a bankrupt insurance company may make a petition to its affiliated Corporation the succession of insurance contracts or underwriting of insurance contracts (hereinafter referred to as "succession, etc. of insurance contracts").

- (2) A bankrupt insurance company, in the case of making the petition under the preceding paragraph, must submit to its affiliated Corporation, materials which indicate the content of the negotiation with other insurance companies or insurance holding companies, etc. on the transfer, etc. of insurance contracts, and other materials specified by Cabinet Office Order and Order of the Ministry of Finance.
- (3) A bankrupt insurance company may, when making a petition for the succession of insurance contracts under the provisions of paragraph (1), also make a petition to the affiliated Corporation to provide financial assistance with regard to the succession of insurance contracts (limited to donations of money or purchase of property).
- (4) The provisions of paragraphs (2) and (3) of the preceding Article apply mutatis mutandis to the financial assistance referred to in the preceding paragraph. In this case, the phrase "the relief insurance company or the relief insurance holding company, etc. that made the petition in that paragraph, and the bankrupt insurance company" in paragraph (2) of that Article is deemed to be replaced with "the bankrupt insurance company".

(Authorization of Eligibility for the Transfer of Insurance Contracts)

Article 268 (1) In the case referred to in Article 266, paragraph (1), the bankrupt insurance company and relief insurance company, or the bankrupt insurance company and relief insurance holding company, etc. which carry out the transfer, etc. of insurance contracts must obtain the authorization of the Prime Minister for the transfer, etc. of insurance contracts by the time that the petition under that paragraph is made.

- (2) The application for authorization of the preceding paragraph must be filed jointly by the bankrupt insurance company and relief insurance company or

bankrupt insurance company and relief insurance holding company, etc. set forth in that paragraph.

- (3) The Prime Minister may grant the authorization under paragraph (1), only in the cases that satisfy all of the following requirements:
- (i) the transfer, etc. of insurance contracts contributes to the protection of policyholders, etc.;
 - (ii) the provision of financial assistance by the affiliated Corporation is indispensable to the smooth implementation of the transfer, etc. of insurance contracts; and
 - (iii) there is a risk of loss of credibility of the insurance business in the case that all of the business of the bankrupt insurance company pertaining to the transfer, etc. of insurance contracts is discontinued or the bankrupt insurance company is dissolved, without a transfer of insurance contracts, etc.
- (4) If the Prime Minister has given the authorization under paragraph (1), the Prime Minister must notify the affiliated Corporation of this.
- (5) If an affiliated Corporation receives a notice under the provisions of the preceding paragraph, it must promptly report this to the Minister of Finance.
- (6) If a company seeking to acquire shares of a bankrupt insurance company has filed an application for approval under Article 271-18, paragraph (1) to acquire shares and become a holding company whose subsidiary companies include an insurance company (hereinafter referred to as "holding company approval" in this paragraph), the Prime Minister may not give the authorization under the provisions of paragraph (1) until after holding company approval has been given to that company.

(Special Provisions on Authorization of Eligibility for the Transfer of Insurance Contracts)

- Article 269 (1) The Prime Minister may, only in cases that satisfy all of the following requirements, attach a supplementary note to the recommendation referred to in Article 256, paragraph (1), notwithstanding the provisions of paragraph (1) of the preceding Article, that the petition under Article 266, paragraph (1) may be made:
- (i) the discontinuation of all business of a bankrupt insurance company or the dissolution of the bankrupt insurance company pertaining to the recommendation referred to in Article 256, paragraph (1) satisfies the requirements listed in paragraph (3), item (iii) of the preceding Article; and
 - (ii) the provision of financial assistance by the affiliated Corporation is indispensable to the transfer, etc. of insurance contracts pertaining to the relevant recommendation.
- (2) The provisions of paragraphs (4) and (5) of the preceding Article apply

mutatis mutandis to the cases in which the supplementary note of the preceding paragraph has been attached.

(Authorization of Eligibility for Succession of Insurance Contracts)

Article 270 (1) In the case referred to in Article 267, paragraph (1), the bankrupt insurance company must obtain the authorization of the Prime Minister in regard to the succession, etc. of insurance contracts of that paragraph by the time that the petition under that paragraph is made.

(2) The Prime Minister may give the authorization of the preceding paragraph, only in cases that fall under all of the following requirements:

(i) the succession, etc. of insurance contracts contributes to the protection of policyholders, etc.;

(ii) there is a risk that without the succession, etc. of insurance contracts, the insurance business would lose credibility in the event that all of the business of the bankrupt insurance company that is making a petition to the affiliated Corporation for the succession, etc. of insurance contracts is discontinued or if the bankrupt insurance company is dissolved; and

(iii) in cases if a request for financial assistance under the provisions of Article 267, paragraph (3) is made, the provision of the relevant financial assistance is indispensable to the smooth implementation of the succession of insurance contracts.

(3) If the Prime Minister has given the authorization under paragraph (1), the Prime Minister must notify the affiliated Corporation of this.

(4) If an affiliated Corporation receives a notice under the provisions of the preceding paragraph, it must promptly report this to the Minister of Finance.

(Evaluation of the Property of a Bankrupt Insurance Company)

Article 270-2 (1) A bankrupt insurance company that makes the petition under Article 266, paragraph (1) or Article 267, paragraph (1) must seek the confirmation of the affiliated Corporation regarding the appropriateness of the evaluation the company made on its property (for a foreign insurance company, etc., property in Japan; hereinafter the same applies in this Subsection) without delay at the same time that the petition is made or after the petition is made (referred to as "property self-evaluation" in the following paragraph and paragraph (4)).

(2) If an affiliated Corporation determines, after the discussion by the examination board, that the property self-evaluation for which confirmation under the preceding paragraph is being sought is appropriate, the affiliated Corporation is to notify the bankrupt insurance company which made the request that the property self-evaluation has been confirmed as appropriate.

(3) If an affiliated Corporation finds it necessary for making a determination

under the preceding paragraph, it may conduct an examination to evaluate the property of the bankrupt insurance company that made the request.

- (4) If an affiliated Corporation determines, after the discussion by the examination board, that the property self-evaluation for which confirmation under paragraph (1) is being sought is not appropriate, the affiliated Corporation is to notify the bankrupt insurance company which made the request to that effect, and is to conduct an examination to evaluate the property of that bankrupt insurance company.
- (5) After confirming that the evaluation based on the examination under the provisions of the preceding paragraph is appropriate and after the discussion by the examination board, the affiliated Corporation is to notify the bankrupt insurance company that made the request of the content of the evaluation.
- (6) If an affiliated Corporation has made a notification under paragraph (2) or the preceding paragraph, the affiliated Corporation must immediately report the particulars of the notification to the Prime Minister and Minister of Finance.

(Financial Assistance for the Transfer of Insurance Contracts)

Article 270-3 (1) After making a notification under paragraph (2) or paragraph (5) of the preceding Article to the bankrupt insurance company which filed the petition under Article 266, paragraph (1), an affiliated Corporation must make a decision without delay, after the discussion by the Committee, on whether to provide the financial assistance pertaining to the petition.

(2) The amount of the financial assistance referred to in the provisions of the preceding paragraph (limited to donation of money) is an amount equivalent to that calculated by adding the amount listed in item (iii) to the amount remaining after the deduction of the amount listed in item (ii) from the amount listed in item (i) with regard to the bankrupt insurance company to which the financial assistance pertains:

(i) with regard to a bankrupt insurance company's insurance contracts that fall under the category of insurance contract specified by Cabinet Office Order and Order of the Ministry of Finance (hereinafter referred to as a "covered insurance contract"), the amount specified by Cabinet Office Order and Order of the Ministry of Finance as the liability that must be saved for allocation to the payment of insurance proceeds, etc. and for policy reserves (referred to as "specified policy reserves, etc." in the following item and Article 270-5, paragraph (2)) multiplied by the rate specified by Cabinet Office Order and Order of the Ministry of Finance by taking into consideration the type of covered insurance contract, assumed interest rate, other contents of the contract, etc.;

(ii) the amount of the asset value of that bankrupt insurance company based on

- the evaluation of property confirmed under the provisions of paragraph (2) or paragraph (5) of the preceding Article (referred to as "confirmed evaluation of property" in Article 270-5, paragraph (2)), which has been calculated as specified by Cabinet Office Order and Order of the Ministry of Finance as being the amount which corresponds to the specified policy reserve, etc. pertaining to the covered insurance contract; and
- (iii) the amount of expense which has been approved by the affiliated Corporation as being necessary for the smooth transfer, etc. of the insurance contracts pertaining to the financial assistance, among the expenses that fall under those specified by Cabinet Office Order and Order of the Ministry of Finance as expenses which are deemed necessary for the transfer, etc. of insurance contracts pertaining to that bankrupt insurance company.
- (3) When an affiliated Corporation makes the decision under paragraph (1), the affiliated Corporation must immediately report the particulars specified by Cabinet Office Order and Order of the Ministry of Finance as those related to the decision, to the Prime Minister and the Minister of Finance.
- (4) When an affiliated Corporation makes a decision to provide financial assistance pursuant to the provisions of paragraph (1), the affiliated Corporation is to conclude a contract concerning the financial assistance with the insurance company or insurance holding company, etc. that has requested for the financial assistance and that is to be the party to the financial assistance.
- (5) When damage security is included in the financial assistance pertaining to the contract under the preceding paragraph, the relief insurance company or the relief insurance holding company, etc. pertaining to that contract, under that contract, if profits are accrued from the assets pertaining to the damage security, commit in that contract that it is to pay all or part of the profits to the affiliated Corporation pertaining to that contract, or, as one that will possess the assets from the transfer, etc. of insurance contracts, to take measures for making payment to the affiliated Corporation pertaining to that contract.

Division 2 Succession of Insurance Contracts

(Succession of Insurance Contracts)

Article 270-3-2 (1) If an affiliated Corporation finds it necessary in receiving a petition on the succession of insurance contracts under the provisions of Article 267, paragraph (1), the affiliated Corporation may make a request to the Prime Minister to take the measures under the provisions of Article 256, paragraph (1) before making the decisions listed in the items of paragraph (6) pertaining to the petition.

- (2) The Prime Minister, without delay, is to notify the affiliated Corporation, when the measures under the provisions of Article 256, paragraph (1) pursuant to the provisions of the preceding paragraph are requested, of whether the measures may be taken, and, in the case that the measures are to be taken, of the content of those measures.
- (3) An affiliated Corporation, when the content of the notification by the Prime Minister under the provisions of the preceding paragraph is that the measures under the provisions of Article 256, paragraph (1) are to be taken, is to stop the implementation of the procedure pertaining to the decision listed in paragraph (6), items (i) and (ii); provided, however, that this does not apply to the confirmation procedures under the provisions of Article 270-2.
- (4) In the case that the Prime Minister takes the measures under the provisions of Article 256, paragraph (1) the bankrupt insurance company which made the petition for the succession of insurance contracts under the provisions of Article 267, paragraph (1), when that bankrupt insurance company has reached an agreement pertaining to merger, etc., must withdraw the petition without delay.
- (5) In the case set forth in the preceding paragraph, when no agreement pertaining to the merger, etc. is reached, the bankrupt insurance company referred to in that paragraph, must notify the affiliated Corporation of this without delay.
- (6) An affiliated Corporation, when the affiliated Corporation finds it unnecessary to make the request under the provisions of paragraph (1) to the Prime Minister, when the content of the notification of the Prime Minister under the provisions of paragraph (2) is to the effect that the measures under the provisions of Article 256, paragraph (1) cannot be taken, or when the notification under the provisions of the preceding paragraph is made, after discussion by the Committee, must promptly make the decision listed in items (i) and (ii) pertaining to the petition under paragraph (1) or the decision listed in item (ii):
 - (i) decision that the affiliated Corporation will incorporate, as its subsidiary company, the successor insurance company, which will carry out a transfer of insurance contracts from the bankrupt insurance company or merge with that company to take over the insurance contracts from that company; and
 - (ii) decision that the successor insurance company is to carry out a transfer of insurance contracts from the bankrupt insurance company or merge with that company to take over the insurance contracts from that company.
- (7) When an affiliated Corporation makes a decision under the preceding paragraph on the succession of insurance contracts pertaining to a petition it has received under Article 267, paragraph (3), it must also make a decision after the discussion by the Committee, on whether to provide the financial

assistance pertaining to the petition.

- (8) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the amount of financial assistance pursuant to the provisions of the preceding paragraph (limited to donation of money), the provisions of paragraph (3) of that Article apply mutatis mutandis to the case that an affiliated Corporation makes a decision under the preceding two paragraphs, and the provisions of paragraph (4) of that Article apply mutatis mutandis to the case that an affiliated Corporation makes a decision to provide financial assistance pursuant to the provisions of the preceding paragraph. In this case, the term "transfer, etc. of insurance contracts" in paragraph (2) of that Article is deemed to be replaced with "succession of insurance contracts", and the phrase "insurance company or insurance holding company, etc. which filed the application for the financial assistance that becomes the party of the financial assistance" in paragraph (4) of that Article is deemed to be replaced with "bankrupt insurance company which filed the application for the financial assistance".
- (9) The bankrupt insurance company that has made a petition under paragraph (1) when an affiliated Corporation makes a decision listed in paragraph (6), items (i) or (ii), may transfer all or part of the insurance contracts to the successor insurance company pertaining to the decision, or may merge with that company.

(Incorporation of Successor Insurance Company)

- Article 270-3-3 (1) When an affiliated Corporation makes a decision listed in paragraph (6), item (i) of the preceding Article, after the discussion by the Committee on the content of the contribution pertaining to the decision, it must become the incorporator for the incorporation of the stock company which is to be the successor insurance company, and make a contribution for the incorporation of the stock company, of which it became the incorporator of the incorporation, as its subsidiary company.
- (2) Beyond what is set forth in the preceding paragraph, an affiliated Corporation, when it seeks to make a contribution to the successor insurance company, must go through discussions of the Committee thereon.
- (3) When an affiliated Corporation makes the contribution prescribed in the preceding two paragraphs, the affiliated Corporation must promptly report the content of the contribution to the Prime Minister and the Minister of Finance.

(Business Management of the Successor Insurance Company)

- Article 270-3-4 (1) A Corporation must manage the business of a successor insurance company (limited to those incorporated by the Corporation; hereinafter the same applies in this Article, Article 270-3-6, and Article 270-3-

- 10) to enable its appropriate implementation of the following particulars:
- (i) when the decision listed in Article 270-3-2, paragraph (6), item (ii) is made, the transfer of insurance contracts or merger is carried out to take over the insurance contracts from the bankrupt insurance company that was the subject of the decision; and
 - (ii) in managing and disposing the insurance contracts or in implementing other business, these are to be carried out in accordance with the guidelines specified in the following paragraph.
- (2) A Corporation must create guidelines on the management and disposition of the insurance contracts of a successor insurance company and other business, and, after obtaining the approval of the Prime Minister, make the guidelines public.
- (3) A Corporation may offer guidance and advice necessary for the management of a successor insurance company.
- (4) If a Corporation transfers the shares of a successor insurance company or makes other dispositions, it must promptly report this to the Prime Minister and Minister of Finance.

(Non-Application of Article 467 of the Companies Act)

Article 270-3-5 The provisions of Article 467, paragraph (1), item (v) of the Companies Act (Approvals of Business Transfer) do not apply to the property confirmed under the provisions of Article 270-2, paragraph (2) or Article 270-2, paragraph (5), in the case that a Corporation owns all of the issued shares of the successor insurance company.

(Succession Agreements)

Article 270-3-6 (1) A Corporation is to conclude an agreement with a successor insurance company that includes the following particulars (hereinafter referred to as "succession agreement"):

- (i) that the successor insurance company with which the succession agreement has been concluded (hereinafter referred to as "successor insurance company under the agreement") is to implement the particulars listed in the items of Article 270-3-4, paragraph (1);
- (ii) the successor insurance company under the agreement may petition a Corporation to purchase the assets of that successor insurance company under the agreement; and
- (iii) when the successor insurance company under the agreement seeks to conclude a contract concerning the borrowing of the funds that fall under the guaranteed obligation prescribed in Article 270-3-8, paragraph (1), it is to obtain the approval of a Corporation on the content of the contract to be concluded.

(2) When a Corporation concludes a succession agreement, the Corporation must immediately report the content of the agreement to the Prime Minister and Minister of Finance.

(Purchase of Property)

Article 270-3-7 (1) When a Corporation receives a petition under paragraph (1), item (ii) of the preceding Article, the Corporation must make a decision, after the discussion by the examination board and the Committee, on whether to purchase the property pertaining to the petition, without delay.

(2) When a Corporation makes a decision under the provisions of the preceding paragraph, the Corporation must immediately report to the Prime Minister and Minister of Finance the particulars of the decision.

(3) When a Corporation makes a decision to purchase the property under the provisions of paragraph (1), the Corporation is to conclude a contract concerning the purchase of the property with the successor insurance company under the agreement that petitioned for the purchase of the property.

(Lending of Funds and Obligation Guarantee)

Article 270-3-8 (1) For lending the funds that the successor insurance company under the agreement finds to be necessary for the smooth implementation of business, a Corporation, upon petition by the successor insurance company under the agreement for a loan of the funds or upon petition to guarantee an obligation pertaining to the borrowing of the funds by the successor insurance company under the agreement, after the discussions by the Committee, may provide the loan or guarantee the obligation when it finds it necessary.

(2) When a Corporation concludes a contract pertaining to the loan or guarantee of obligation under the preceding paragraph with the successor insurance company under the agreement pursuant to the provisions of that paragraph, the Corporation must immediately report to the Prime Minister and Minister of Finance the content of the contract.

(Compensation for Losses)

Article 270-3-9 When an amount has been accounted pursuant to what is specified by Cabinet Order for the amount of loss accrued by the successor insurance company under the agreement by the implementation of business under the specifications of the succession agreement, a Corporation may give compensation for the losses, after the discussions by the Committee, within the extent of that amount.

(Request for Reporting)

Article 270-3-10 When it is necessary in order for a Corporation to conduct

business under the provisions of this Division, the Corporation may request a successor insurance company to report on the status of the implementation of the succession agreement or on the finances.

(Request for Financial Assistance for Succession of Taken Over Insurance Contracts)

Article 270-3-11 (1) The secondary successor insurance company or secondary successor insurance holding company, etc. (meaning an insurance holding company, etc. that implements succession of taken over insurance contracts; the same applies hereinafter) may, jointly with a successor insurance company pertaining to the succession of taken over insurance contracts that those companies are to implement, request that a Corporation that has incorporated the successor insurance company (hereinafter referred to as an "incorporating Corporation") provide financial assistance for the succession of taken over insurance contracts (limited to securing of damage).

(2) When an incorporating Corporation finds it necessary in the case referred to in the preceding paragraph, it may request the secondary successor insurance company or secondary successor insurance holding company, etc. which made the petition under that paragraph, and the successor insurance company and other relevant persons to submit materials.

(Authorization of Eligibility for Succession of Taken Over Insurance Contracts)

Article 270-3-12 (1) In the case referred to in paragraph (1) of the preceding Article, the successor insurance company and secondary successor insurance company, which implement the succession of taken over insurance contracts, or the successor insurance company and secondary successor insurance holding company, etc. must obtain the authorization of the Prime Minister for the succession of taken over insurance contracts by the time that the petition under that paragraph is made.

(2) The provisions of Article 268, paragraph (2) through paragraph (6) (except for paragraph (3), item (iii)) apply mutatis mutandis to the authorization under the preceding paragraph. In this case, the phrase "bankrupt insurance company and relief insurance company or bankrupt insurance company and relief insurance holding company, etc." in paragraph (2) of that Article is deemed to be replaced with "successor insurance company and secondary successor insurance company or successor insurance company and secondary successor insurance holding company, etc.", the term "transfer, etc. of insurance contract" in paragraph (3) of that Article is deemed to be replaced with "succession of taken over insurance contracts", the term "affiliated Corporation" is deemed to be replaced with "incorporating Corporation", the term "affiliated Corporation" in paragraphs (4) and (5) of that Article is

deemed to be replaced with "incorporating Corporation", and the term "bankrupt insurance company" in paragraph (6) of that Article is deemed to be replaced with "successor insurance company".

- (3) The provisions of Article 270-2 apply mutatis mutandis to cases in which a petition under paragraph (1) of the preceding Article is to be made. In this case, the term "bankrupt insurance company" in Article 270-2 is deemed to be replaced with "successor insurance company" the term "affiliated Corporation" is deemed to be replaced with "incorporating Corporation", and the term "its property (for a foreign insurance company, etc., property in Japan; hereinafter the same applies in this Subsection)" in paragraph (1) of that Article is deemed to be replaced with "its property".

(Designation of the Other Party to Discussions on Succession of Insurance Contracts Taken Over)

Article 270-3-13 (1) The Prime Minister may designate another insurance company or insurance holding company, etc. as the other party with which the successor insurance company is to hold a discussion on the succession of insurance contracts taken over and recommend that the other insurance company or insurance holding company, etc. to participate in the discussion.

- (2) The provisions of Article 256, paragraphs (2) and (3) and Article 257 apply mutatis mutandis to the recommendation referred to in the preceding paragraph. In this case, the phrase "bankrupt insurance company or an insurance company recognized as having a high probability of becoming a bankrupt insurance company" in Article 256, paragraph (2) is deemed to be replaced with "successor insurance company of that paragraph", the phrase "policyholders protection corporation to which a bankrupt insurance company or the insurance company that is recognized as having a high probability of becoming a bankrupt insurance company has joined as a member" in Article 256, paragraph (3) is deemed to be replaced with "policyholders protection corporation which incorporated the successor insurance company of Article 270-3-13, paragraph (1)", and the term "bankrupt insurance company" in Article 257, paragraph (1) is deemed to be replaced with "successor insurance company".

- (3) Only when the Prime Minister finds that the provision of financial assistance by an incorporating Corporation is indispensable for the succession of taken over insurance contracts pertaining to the recommendation referred to in paragraph (1), the Prime Minister may attach a supplementary note to the recommendation that a petition under Article 270-3-11, paragraph (1) may be made, notwithstanding the provisions of paragraph (1) of the preceding Article.

- (4) The provisions of Article 268, paragraphs (4) and (5) apply mutatis mutandis to the case that the supplementary note of the preceding paragraph has been

attached.

(Financial Assistance in the Succession of Taken Over Insurance Contracts)

- Article 270-3-14 (1) An incorporating Corporation, without delay after making the notification under Article 270-2, paragraph (2) or (5) as applied mutatis mutandis pursuant to Article 270-3-12, paragraph (3) to the successor insurance company which made the petition under Article 270-3-11, paragraph (1), must make a decision, after the discussion by the Committee, on whether to provide the financial assistance pertaining to the petition.
- (2) The provisions of Article 270-3, paragraph (3) apply mutatis mutandis to the case that an incorporating Corporation makes the decision under the preceding paragraph, the provisions of paragraph (4) of that Article apply mutatis mutandis in the case that an incorporating Corporation makes a decision to provide financial assistance pursuant to the provisions of the preceding paragraph, and the provisions of paragraph (5) of that Article apply mutatis mutandis to the secondary successor insurance company or secondary successor insurance holding company, etc. which concludes the contract of paragraph (4) of that Article as applied mutatis mutandis pursuant to this paragraph. In this case, the term "transfer, etc. of insurance contracts" in paragraph (5) of that Article is deemed to be replaced with "succession of taken over insurance contracts", and the term "affiliated Corporation" is deemed to be replaced with "incorporating Corporation".

Division 3 Underwriting of Insurance Contracts

(Underwriting of Insurance Contracts)

- Article 270-4 (1) When an affiliated Corporation finds it necessary in the case of receiving a petition for underwriting the insurance contracts under the provisions of Article 267, paragraph (1), the affiliated Corporation may make a request to the Prime Minister to take the measures under the provisions of Article 256, paragraph (1), before underwriting the insurance contracts pertaining to the relevant petition.
- (2) The Prime Minister, without delay, is to notify the affiliated Corporation, when the measures under the provisions of Article 256, paragraph (1) pursuant to the provisions of the preceding paragraph are requested, of whether the measures may be taken, and, if the measures are to be taken, the content of those measures.
- (3) When the content of the notification of the Prime Minister under the provisions of the preceding paragraph is to the effect that the measures under the provisions of Article 256, paragraph (1) are taken, the affiliated Corporation is to stop the implementation of the procedure pertaining to the

- underwriting of insurance contracts; provided, however, that this does not apply to the confirmation procedure under the provisions of Article 270-2.
- (4) If the Prime Minister takes the measures under the provisions of Article 256, paragraph (1) under the provisions of paragraph (1), the bankrupt insurance company which applied for the underwriting of insurance contracts under the provisions of Article 267, paragraph (1), when that bankrupt insurance company has reached an agreement pertaining to the merger, etc., must withdraw the petition without delay.
- (5) In the case prescribed in the preceding paragraph, when no agreement pertaining to the merger, etc. is reached, the bankrupt insurance company under that paragraph, without delay, must notify the affiliated Corporation of this.
- (6) When an affiliated Corporation finds it unnecessary to make the request under the provisions of paragraph (1) to the Prime Minister, when the content of the notification by the Prime Minister under the provisions of paragraph (2) is to the effect that the measures under the provisions of Article 256, paragraph (1) cannot be taken, or when the notification under the provisions of the preceding paragraph is made, promptly, after the discussion by the Committee, the affiliated Corporation must make a decision listed in items (i) and (ii) pertaining to the petition under paragraph (1) or the decision listed in item (ii).
- (7) The provisions of Article 270-3, paragraph (3) apply mutatis mutandis to the case that an affiliated Corporation has made the decision under the preceding paragraph.
- (8) The bankrupt insurance company pertaining to the petition under paragraph (1) may, when an affiliated Corporation makes a decision under the provisions of paragraph (6), transfer all or part of the insurance contracts to the affiliated Corporation pursuant to the contract with the affiliated Corporation concerning the underwriting of insurance contracts.
- (9) The provisions of Article 135, paragraphs (2) through (4), Article 136, Article 136-2, Article 137 (excluding the proviso to paragraph (1), and paragraph (5)) to Article 140 (excluding the proviso to paragraph (2)), Article 155, Article 210, and Articles 250 through 253 apply mutatis mutandis to the transfer of insurance contracts from the bankrupt insurance company pertaining to the underwriting of insurance contracts to the affiliated Corporation. In this case, the term "the preceding paragraph" in Article 135, paragraph (2) and the term "paragraph (1) in paragraphs (3) and (4) of that Article are deemed to be replaced with "Article 270-4, paragraph (8)"; the terms "paragraph (1) of the preceding Article", "transferor company and the transferee company (other than a foreign insurance company, etc.)" and "hereinafter in this Chapter, as well as in Chapter VIII and X" in Article 136, paragraph (1) are deemed to be

replaced with "Article 270-4, paragraph (8)", "transferor company" and "Article 250, paragraph (4)", respectively; the terms "transferor company and the transferee company" and "paragraph (1) of the preceding Article" in Article 136, paragraph (3) are deemed to be replaced with "transferor company" and "Article 270-4, paragraph (8)", respectively; the terms "Article 135, paragraph (1)", "transferee company", "give public notice of the outline of the contract concluded under Article 135, paragraph (1), the balance sheets of the transferor company and the transferee company (for a foreign insurance company, etc., the balance sheet for its insurance business in Japan), as well as the notice to the effect that an affected policyholder who has an objection is to raise an objection within a certain period and other particulars specified by Cabinet Office Order, and is to notify affected policyholders of these particulars", and "one tenth (one fifth, in case of transfer of insurance contracts pertaining to all insurance contracts)" in Article 137, paragraph (1) are deemed to be replaced with "Article 270-4, paragraph (8)", "policyholders protection corporation of which that insurance company is a member (referred to as "affiliated Corporation" in paragraph (1) of the following Article, Articles 140, 155 and 252)", "give public notice of the outline of the contract concluded under Article 135, paragraph (1), the balance sheets of the transferor company and the transferee company (for a foreign insurance company, etc., the balance sheet for its insurance business in Japan), as well as the notice to the effect that an affected policyholder who has an objection is to raise an objection within a certain period and other particulars specified by Cabinet Office Order", and "one fifth", respectively; the terms "transferee company" and "Article 135, paragraph (1)" in Article 138, paragraph (1) are deemed to be replaced with "affiliated Corporation" and "Article 270-4, paragraph (8)", respectively; the term "the following standards" in Article 139, paragraph (2) is deemed to be replaced with "standards listed in items (i) and (iii)"; the terms "transferee company", "Article 135, paragraph (1)", and "Article 135, paragraph (4)" in Article 140, paragraph (2) are deemed to be replaced with "affiliated Corporation", "Article 270-4, paragraph (8)", and "Article 135, paragraph (4) as applied mutatis mutandis pursuant to paragraph (9) of that Article", respectively; the terms "Article 135, paragraph (1)" and "transferee company" in Article 140, paragraph (3) are deemed to be replaced with "Article 270-4, paragraph (8)" and "affiliated Corporation", respectively; the term "minutes of the shareholders' meeting, etc. of the transferee company (other than a foreign insurance company, etc.) set forth in Article 135, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-29)" in Article 155, item (i) is deemed to be replaced with "minutes of the general meeting of the affiliated Corporation"; the term "written contract concluded under Article 135, paragraph (1) (hereinafter referred to as "transfer agreement" in this Section)"

in Article 210, paragraph (1) is deemed to be replaced with "contract concluded under Article 270-4, paragraph (8) (hereinafter referred to as "transfer contract" in this Section);" the terms "Article 135, paragraph (1) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29)", "Article 268, paragraph (1) or Article 270, paragraph (1)", and "relief insurance company as prescribed in Article 260, paragraph (3)" in Article 250, paragraph (1) are deemed to be replaced with "Article 270-4, paragraph (8)", "Article 270, paragraph (1)", and "policyholders protection corporation of which the bankrupt insurance company is a member", respectively; the term "Article 135, paragraph (1)" in Article 250, paragraph (4) is deemed to be replaced with "Article 270-4, paragraph (8)"; the terms "Article 135, paragraph (1) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) and Article 272-29; hereinafter the same applies in this Article)" and "transferee company prescribed in Article 135, paragraph (1)" in Article 252 are deemed to be replaced with "Article 270-4, paragraph (8)" and "affiliated Corporation", respectively; any other necessary technical replacement of terms is specified by Cabinet Order.

(Transfer to Special Insurance Account Pertaining to Underwriting of Insurance Contracts)

Article 270-5 (1) An affiliated Corporation, when it underwrites the insurance contracts pursuant to the provisions of the preceding Article, is to incorporate the property of the bankrupt insurance company pertaining to the underwriting of insurance contracts, which it has been assigned with the transfer of insurance contracts pertaining to the underwriting of insurance contracts, into the special insurance account created for the bankrupt insurance company.

(2) When an affiliated Corporation underwrites the insurance contracts pursuant to the provisions of the preceding Article, the affiliated Corporation is to transfer, from the general account to the special insurance account created for the bankrupt insurance company, the amount equivalent to the amount remaining after the deduction of the amount listed in item (ii) from the amount listed in item (i) with regard to the bankrupt insurance company pertaining to the underwriting of insurance contracts:

(i) the amount of specified policy reserve, etc. pertaining to the covered insurance contract pertaining to that bankrupt insurance company, multiplied by the rate specified by Cabinet Office Order and Order of the Ministry of Finance by taking into consideration the type of the covered insurance contract, assumed interest rate, other contents of the contract, etc.; and

(ii) the amount of the asset value of that bankrupt insurance company, based

on the confirmed evaluation of property, which has been calculated as specified by Cabinet Office Order and Order of the Ministry of Finance as being the amount that corresponds to the specified policy reserve, etc. pertaining to the covered insurance contract.

- (3) An affiliated Corporation, when it underwrites the insurance contracts pursuant to the provisions of the preceding Article, is to take over the documents of the bankrupt insurance company pertaining to the underwriting of insurance contracts listed in Article 4, paragraph (2), items (ii) through (iv).
- (4) When an amount has been accounted pursuant to what is specified by Cabinet Order for the amount of loss accrued by the special insurance account by the implementation of business involving the management and disposition of insurance contracts pertaining to the underwriting of insurance contracts under the provisions of the preceding Article (including incidental business), the affiliated Corporation may transfer the amount from the general account to that special insurance account, after discussion by the Committee, within the scope of that amount.

(Application of This Act to Corporations Conducting Insurance Business)

Article 270-6 (1) A Corporation may, notwithstanding the provisions of Article 3, paragraph (1), conduct insurance business to the extent necessary for the management and disposition of insurance contracts which were transferred pursuant to the contract concerning the underwriting of insurance contracts concluded under the provisions of Article 270-4, paragraph (8).

(2) The application of this Act in the case that a Corporation conducts insurance business pursuant to the provisions of the preceding paragraph is prescribed as follows:

- (i) for the purpose of applying the provisions of Article 9, paragraph (1) (limited to the part pertaining to item (i)), Article 97, Article 97-2, paragraphs (1) and (2), Article 98, Chapter V of Part II (except for Articles 109, 113, and 114), Articles 123 through 125, Article 131, Sections 1 and 3 of Chapter VII of that Part, and Article 309 (including the penal provisions related to the provisions), a Corporation is deemed to be an insurance company. In this case, the term "Article 3, paragraph (2)" in Article 97, paragraph (1) is deemed to be replaced with "bankrupt insurance company prescribed in Article 260, paragraph (2) pertaining to the underwriting of insurance contracts prescribed in paragraph (9) of that Article", the term "the following business and other business" in Article 98, paragraph (1) is deemed to be replaced with "business listed in items (i) and (ii)", the term "board of directors" in Article 120, paragraph (1) and Article 121, paragraphs (1) and (2) is deemed to be replaced with "president of the policyholders protection corporation", the phrase "or general meeting (or the member representatives

meeting, if the company has such a meeting) (hereinafter referred to as "shareholders meeting, etc." in this Chapter, as well as in Chapter VIII and X)" in Article 136, paragraph (1) is deemed to be replaced with ", general meeting (or the member representatives meeting, if the company has such a meeting) or general meeting of the policyholders protection corporation (referred to as "shareholders meeting, etc." in Article 144, paragraph (2) and Article 149, paragraph (1))", the phrases "director (or, in a company with a nominating committee, etc., executive officers) of the transferor company" and "from two weeks before the date of the shareholders meeting, etc. set forth in paragraph (1) of the preceding Article" in Article 136-2, paragraph (1) are deemed to be replaced with "director of the policyholders protection corporation", and "from the date of the general meeting of the policyholders protection corporation of paragraph (1) of the preceding Article as applied following the deemed replacement of terms pursuant to the provisions of Article 270-6, paragraph (2), item (i)", respectively;

(ii) for the purpose of applying the provisions of Articles 101 through 105 (including the penal provisions related to the provisions), the Corporation is deemed to be a non-life insurance company in the case that the license which had been received by the bankrupt insurance company pertaining to the underwriting of insurance contracts, which was a member of the Corporation, falls under the classes of license listed in Article 262, paragraph (2), item (ii); and

(iii) for the purpose of applying the provisions of Article 114, a Corporation is deemed to be a stock company that is an insurance company.

(3) In the case that a Corporation conducts insurance business pursuant to the provisions of paragraph (1), the Corporation, with regard to the application of the Automobile Liability Insurance Act and other laws and regulations specified by Cabinet Order, is deemed to be an insurance company, or, in accordance with the type of license of the members, a life insurance company or non-life insurance company pursuant to the provisions of Cabinet Order.

(Petition for Financial Assistance in the Secondary Transfer of Insurance Contracts)

Article 270-6-2 (1) The secondary transferee insurance company may make a petition to the Corporation that underwrote the insurance contracts it seeks to have transferred pursuant to the secondary transfer of insurance contracts (hereinafter referred to as "underwriting Corporation") to provide financial assistance in the secondary transfer of insurance contracts (limited to securing of damage).

(2) The underwriting Corporation may, when it finds it necessary in the case referred to in the preceding paragraph, ask the secondary transferee insurance

company that made the petition under that paragraph and other relevant persons to submit materials.

(Authorization of Eligibility for the Secondary Transfer of Insurance Contracts)

- Article 270-6-3 (1) In the case referred to in paragraph (1) of the preceding Article, the underwriting Corporation and the secondary transferee insurance company, which implement the secondary transfer of insurance contracts, must obtain the authorization of the Prime Minister for the secondary transfer of insurance contracts by the time that the petition under that paragraph is made.
- (2) The provisions of Article 268, paragraphs (2) through (5) (except for paragraph (3), item (iii)) apply mutatis mutandis to the authorization referred to in the preceding paragraph. In this case, the phrase "bankrupt insurance company and relief insurance company or bankrupt insurance company and relief insurance holding company, etc." in paragraph (2) of that Article is deemed to be replaced with "underwriting Corporation and secondary transferee insurance company", the term "transfer, etc. of insurance contracts" in paragraph (3) of that Article is deemed to be replaced with "secondary transfer of insurance contracts", the term "affiliated Corporation" is deemed to be replaced with "underwriting Corporation", and the term "affiliated Corporation" in paragraphs (4) and (5) of that Article is deemed to be replaced with "underwriting Corporation".

(Designation of the Other Party to Discussions on the Secondary Transfer of Insurance Contracts)

- Article 270-6-4 (1) The Prime Minister may designate an insurance company as the other party with which the underwriting Corporation is to hold discussions pertaining to the secondary transfer of insurance contracts and recommend that the insurance company participate in the discussion.
- (2) The provisions of Article 256, paragraphs (2) and (3) and Article 257 apply mutatis mutandis to the recommendation referred to in the preceding paragraph. In this case, the phrase "bankrupt insurance company or insurance company recognized as having a high probability of becoming a bankrupt insurance company" in Article 256, paragraph (2) is deemed to be replaced with "underwriting Corporation referred to in that paragraph", the term "another insurance company or insurance holding company, etc." in that paragraph is deemed to be replaced with "insurance company", the phrase "bankrupt insurance company or policyholders protection corporation which an insurance company that is recognized as having a high probability of becoming a bankrupt insurance company has joined as a member" in Article 256, paragraph (3) is deemed to be replaced with "underwriting Corporation of Article 270-6-4, paragraph (1)", the term "bankrupt insurance company" in

Article 257, paragraph (1) is deemed to be replaced with "underwriting Corporation", and the term "the other insurance company or insurance holding company, etc." is deemed to be replaced with "insurance company".

- (3) Only when the Prime Minister finds that the provision of financial assistance by the underwriting Corporation is indispensable for the secondary transfer of insurance contracts pertaining to the recommendation of paragraph (1), may attach a supplementary note to the relevant recommendation that the petition under Article 270-6-2, paragraph (1) may be made, notwithstanding the provisions of paragraph (1) of the preceding Article.
- (4) The provisions of Article 268, paragraph (4) and paragraph (5) apply mutatis mutandis to the case that the supplementary note of the preceding paragraph has been attached.

(Financial Assistance for the Secondary Transfer of Insurance Contracts)

Article 270-6-5 (1) When an underwriting Corporation receives a petition under the provisions of Article 270-6-2, paragraph (1), the Corporation must, without delay, make a decision, after the discussion by the examination board and the Committee, on whether to provide the financial assistance pertaining to the petition.

- (2) The provisions of Article 270-3, paragraph (3) apply mutatis mutandis to the case that the underwriting Corporation makes a decision referred to in the preceding paragraph, and the provisions of paragraph (4) of that Article apply mutatis mutandis in the case that the underwriting Corporation makes a decision to provide financial assistance pursuant to the provisions of the preceding paragraph. In this case, the phrase "insurance company or insurance holding company, etc. which made the request for the financial assistance that becomes a party to the financial assistance" in paragraph (4) of that Article is deemed to be replaced with "secondary transferee insurance company".
- (3) The secondary transferee insurance company which concludes a contract under Article 270-3, paragraph (4) as applied mutatis mutandis pursuant to the preceding paragraph, is to, if profits are accrued from the assets pertaining to the damage security pertaining to that contract, commit in that contract that it is to pay all or part of the profits to the underwriting Corporation pertaining to that contract.

Division 4 Financial Assistance for the Payment of Covered Insurance Proceeds

(Request for Financial Assistance for the Payment of Covered Insurance Proceeds)

Article 270-6-6 (1) The following insurance companies (referred to as "specified

insurance company" up to Subsection 4) may make a petition to the affiliated Corporation to provide financial assistance in connection with the payment of covered insurance proceeds (limited to donations of monies):

- (i) an insurance company which has been ordered to suspend all or part of its business pursuant to the provisions of Article 241, paragraph (1), or which has suspended its business and is suspending its payments pertaining to the insurance contract pursuant to the provisions of Article 245 (including as applied mutatis mutandis pursuant to Article 258, paragraph (2)), Article 250, paragraph (5) (including as applied mutatis mutandis pursuant to Article 270-4, paragraph (9)), Article 254, paragraph (4) or Article 255-2, paragraph (3); and
 - (ii) an insurance company whose bankruptcy proceedings or reorganization proceedings are pending before the court and which is suspending its payments pertaining to the insurance contract.
- (2) When an affiliated Corporation finds it necessary in the case referred to in the preceding paragraph, the Corporation may request the specified insurance company that made the petition under that paragraph and other relevant persons to submit materials.

(Financial Assistance for the Payment of Covered Insurance Proceeds)

Article 270-6-7 (1) An affiliated Corporation, when it receives a petition under paragraph (1) of the preceding Article, must make a decision without delay, after the discussion by the committee, on whether to provide the financial assistance for the payment of the covered insurance proceeds under the petition.

- (2) When an affiliated Corporation has made a decision under the preceding paragraph, the affiliated Corporation must immediately report on the particulars of the decision to the Prime Minister and the Minister of Finance.
- (3) When an affiliated Corporation has made the decision to provide financial assistance for the payment of covered insurance proceeds pursuant to the provisions of paragraph (1), the affiliated Corporation is to conclude a contract concerning the financial assistance for the payment of the covered insurance proceeds with the specified insurance company which filed the petition.

Subsection 3 Purchase of Insurance Claims

(Purchase of Insurance Claims)

Article 270-6-8 (1) In the case that the specified insurance company has suspended all of its payments pertaining to the insurance contract, after the discussion by the Committee, an affiliated Corporation may make a decision to purchase insurance claims pertaining to the covered insurance contract and

other rights specified by Cabinet Order (limited to those whose purpose is not the security right; hereinafter referred to as "insurance claim, etc." in this Subsection).

- (2) The purchase referred to in the preceding paragraph is to be made in a way that the insurance claim, etc. under the preceding paragraph is purchased based on the request of the creditor pertaining to the insurance claim, etc., within the period during which all payments pertaining to the insurance contract are suspended, for the amount of the insurance proceeds under the covered insurance contract and of other benefits, multiplied by the rate specified by Cabinet Office Order and Order of the Ministry of Finance by taking into consideration the type of that covered insurance contract, the assumed interest rate, other content, the time when the insured event pertaining to that request took place, etc. (hereinafter referred to as "purchase amount"); provided, however, that the affiliated Corporation, in the case that it collected the insurance claim, etc. pertaining to the purchase and the amount obtained by deducting the amount specified by Cabinet Office Order and Order of the Ministry of Finance as the cost of the purchase from the amount acquired by the purchase exceeds the purchase amount pertaining to the purchase, is to pay the excess amount to the creditor pertaining to the insurance claim, etc.
- (3) When an affiliated Corporation has made the decision under paragraph (1), the affiliated Corporation must immediately report the particulars of the decision to the Prime Minister and the Minister of Finance.

(Public Notice of Purchase)

- Article 270-6-9 (1) When an affiliated Corporation has made the decision under paragraph (1) of the preceding Article, the affiliated Corporation must promptly specify the purchase location pertaining to the purchase of the insurance claim, etc. referred to in that paragraph, the payment method for the purchase price, and other particulars specified by Cabinet Office Order and Order of the Ministry of Finance, and give public notice thereof.
- (2) When an affiliated Corporation makes the payment under the provisions of the proviso to paragraph (2) of the preceding Article, in advance after the discussion by the Committee, must specify the payment amount, payment period, and other particulars specified by Cabinet Office Order and Order of the Ministry of Finance, and give public notice to that effect.
 - (3) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to the cases in which the particulars prescribed in the preceding paragraph are specified.

(Taxation)

- Article 270-6-10 (1) If a person entitled to the right to insurance claim, etc. receives payment of the purchase price pertaining to the purchase under the provisions of Article 270-6-8, paragraph (2) with regard to the insurance claim, etc., the payment of the purchase price received (in the case that the person who received the payment of that purchase price receives payment for the insurance claim, etc. pertaining to that purchase price under the provisions of the proviso to that paragraph, that amount of payment received is included) is deemed to be the amount of the insurance proceeds and of other benefits based on the covered insurance contract pertaining to the insurance claim, etc., and the provisions of the Income Tax Act (Act No. 33 of 1965) and other laws and regulations concerning income tax apply.
- (2) If the provisions of the preceding paragraph apply, necessary particulars concerning the application of the special provisions of the proviso to Article 4-2 and Article 4-3 of the Act on Special Measures concerning Taxation (Act No. 26 of 1957) and other provisions of that paragraph is specified by Cabinet Order.
- (3) For the purpose of applying the provisions of the Inheritance Tax Act (Act No. 73 of 1950) and other laws and regulations concerning inheritance tax or gift tax pertaining to the payment of the purchase price received in the case that payment of the purchase price pertaining to the purchase of the right to insurance claim, etc. under the provisions of Article 270-6-8, paragraph (2) (in the case that the payment of the right to insurance claim, etc. pertaining to the purchase price is received within three years of the occurrence of the insured event pertaining to the insurance claim, etc. under the provisions of the proviso to that paragraph, that amount of payment received is included; hereinafter the same applies in this paragraph) is received, the term "insurance proceeds (mutual aid money)" in Article 3, paragraph (1), item (i) of that Act is deemed to be "insurance proceeds (the purchase price prescribed in Article 270-6-10, paragraph (2) of the Insurance Business Act (Act No. 105 of 1995); referred to as "purchase price" in Article 5, paragraph (2)) and mutual aid money", the term "the recipient of insurance proceeds" is deemed to be "the recipient of insurance proceeds (any person who received payment of the purchase price and", and the term "its equivalent" in Article 5, paragraph (2) of that Act is deemed to be "its equivalent (including the purchase price; the same applies hereinafter)".

Subsection 4 Miscellaneous Provisions

(Loans to Members)

- Article 270-7 (1) The lending of funds under Article 265-28, paragraph (2), item (i), within the extent of the amount that is found necessary, may be made in the following cases, based on an application, limited to those in which it is

found that the loan is necessary and appropriate for the smooth payment of insurance proceeds and other benefits by the members of the Corporation (for a foreign insurance company, etc., insurance proceeds and other benefits pertaining to the insurance contract in Japan; hereinafter the same applies in this paragraph):

- (i) if a member of the Corporation is late in the payment of insurance proceeds or other benefits or there is a risk of a member delaying payment, due to temporary financial circumstances; and
 - (ii) if a member of the Corporation that is a specified insurance company concluded a contract under the provisions of Article 270-6-7, paragraph (3) with the Corporation.
- (2) The the lending of funds of referred to in item (i) of the preceding paragraph must comply with the requirement that the collection of loan claims pertaining to the loan of funds is found to be certain and satisfies other requirements specified by Cabinet Office Order and Order of the Ministry of Finance.
- (3) When an application has been filed for the lending of funds pursuant to the provisions of paragraph (1), a Corporation must make a decision, after the discussion by the Committee, on whether to lend the funds.
- (4) If a Corporation has made the decision to lend the funds referred to in paragraph (1) pursuant to the provisions of the preceding paragraph, the Corporation must immediately report the particulars of the decision to the Prime Minister and the Minister of Finance.

(Loans to Policyholders)

Article 270-8 (1) Limited to the case in which the member of a Corporation is a specified insurance company, the lending of funds under Article 265-28, paragraph (2), item (ii) may be made to a person who is a policyholder, etc. in an insurance contract with the member as specified by Cabinet Office Order and Order of the Ministry of Finance, and is entitled to the right to insurance claims and other rights specified by Cabinet Office Order and Order of the Ministry of Finance (hereinafter referred to as "qualified person" in this Article), within the extent of the amount specified by Cabinet Office Order and Order of the Ministry of Finance as the amount which is expected that the qualified person is to receive based on the relevant rights based on the application of the qualified person.

- (2) The lending of funds under the preceding paragraph must be backed by the finding that the qualified person will certainly pay the debt pertaining to the lending of funds through payments of insurance proceeds and other benefits the person will receive based on the rights referred to in that paragraph, and satisfies other requirements specified by Cabinet Office Order and Order of the Ministry of Finance.

- (3) If a member of a Corporation becomes a specified insurance company, the Corporation must make a decision, after the discussion by the Committee, on whether to lend funds to the qualified person of the member.
- (4) When a Corporation has made the decision to lend the funds referred to in paragraph (1) pursuant to the provisions of the preceding paragraph, the Corporation must immediately report the particulars of the decision to the Prime Minister and the Minister of Finance, and promptly, after the discussion by the Committee, specify the place to accept the lending of the funds, the lending method, and other particulars specified by Cabinet Office Order and Order of the Ministry of Finance, and give public notice thereof.

(Petitions to Purchase the Assets of Insurance Companies in Liquidation)

- Article 270-8-2 (1) An insurance company in liquidation may petition a Corporation (limited to one of which the insurance company in liquidation was a member) to purchase the assets of the insurance company in liquidation.
- (2) When a Corporation finds it necessary in the case referred to in the preceding paragraph, the Corporation may request the insurance company in liquidation that made the petition under that paragraph and other relevant persons to submit materials.

(Purchase of Assets of an Insurance Company in Liquidation)

- Article 270-8-3 (1) When a Corporation receives a petition referred to in paragraph (1) of the preceding Article, the Corporation must make a decision without delay, after the discussion by the examination board and the Committee, on whether to purchase the assets pertaining to the petition.
- (2) When a Corporation has made the decision pursuant to the provisions of the preceding paragraph, the Corporation must immediately report the particulars of the decision to the Prime Minister and the Minister of Finance.
 - (3) When a Corporation has made the decision to purchase the assets pursuant to the provisions of paragraph (1), the Corporation is to conclude a contract concerning the purchase of the assets with the insurance company in liquidation which made the petition for the purchase of the assets.

(Special Provisions on Taxation)

- Article 270-9 (1) The registration and license tax is not to be imposed for the registration pursuant to the provisions of Article 244 (including as applied *mutatis mutandis* pursuant to Article 248, paragraph (2)).
- (2) If a Corporation has accepted insurance contracts pertaining to a member bankrupt insurance company pursuant to the provisions of Article 270-4, when the Corporation has acquired the right to real estate or movables from the transfer of property of that bankrupt insurance company that accompanies the

acceptance of that insurance contract prescribed in the contract concerning the acceptance of insurance contracts concluded pursuant to the provisions of Article 270-4, paragraph (8), the registration and license tax is not to be imposed for the registration of the transfer of the right to real estate or movables, limited to those which will be registered within one year after the acquisition as prescribed by Order of the Ministry of Finance.

- (3) If a successor insurance company has acquired the right to real estate pursuant to the transfer of insurance contracts of the bankrupt insurance company or merger with that bankrupt insurance company (referred to as "transfer, etc. of insurance contracts based on a decision" in the following paragraph) that had been recognized as being qualified under the provisions of Article 270, paragraph (1) based on the decision set forth in Article 270-3-2, paragraph (6), item (ii) under the provisions of Article 270-3-2, paragraph (6), the registration and license tax is not to be imposed for the registration of the transfer of the right to real estate, limited to that which will be registered within one year after the acquisition as prescribed by Order of the Ministry of Finance.
- (4) The assignment of land or rights on the land, which the successor insurance company acquired by the transfer, etc. of insurance contracts based on a decision (meaning the assignment prescribed in Article 62-3, paragraph (2), item (i), (a) of the Act on Special Measures Concerning Taxation), is not to fall under the assignment of land, etc. prescribed in Article 62-3, paragraph (2), item (i) of that Act, with regard to the application of the provisions of that Article and Articles 63, 68-68, and 68-69 of that Act pertaining to the successor insurance company.

Section 5 Miscellaneous Provisions

(Opinion of the Prime Minister on Liquidation Proceedings)

- Article 271 (1) The court may seek the Prime Minister's opinion or make a request for an inspection or investigation regarding the liquidation proceedings, bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings or recognition and assistance procedures of an insurance company, etc. or foreign insurance company, etc.
- (2) If the Prime Minister finds it necessary, the Prime Minister may state opinions to the court on the proceedings and procedures prescribed in the preceding paragraph.
 - (3) The provisions of Article 129, paragraph (1), Article 201, paragraph (1), Article 227, paragraph (1) and Article 272-23, paragraph (1) apply mutatis mutandis to cases in which the Prime Minister has received a request for inspection or investigation from the court pursuant to the provisions of

paragraph (1).

(Special Provisions on Assignment of Revolving Mortgages)

Article 271-2 (1) When a managed company seeks to assign a revolving mortgage together with all of the claims it is to guarantee before the principal is established, through the assigning of property which will be carried out in conjunction with the assignment of insurance contracts to the successor insurance company (meaning the successor insurance company prescribed in Article 260, paragraph (6); the same applies in paragraph (5) and Article 271-2-3, paragraph (1), item (iii)), other insurance companies, or the Corporation that will underwrite (meaning the underwriting of insurance contract prescribed in Article 260, paragraph (9); the same applies in paragraph (5)) the insurance contracts of that managed company (hereinafter referred to as "successor insurance company, etc." in this Article), the managed company and the successor insurance company, etc. may give public notice that the revolving mortgagor with an objection is to raise its objections to that managed company with regard to the following particulars within a certain period, or make the demand thereof:

- (i) the fact that the revolving mortgage is assigned from the managed company to the successor insurance company, etc. and the date thereof; and
 - (ii) the fact that the revolving mortgage is to guarantee the claims even after the revolving mortgage is assigned.
- (2) The period referred to in the preceding paragraph may not be less than two weeks.
- (3) When the revolving mortgagor pertaining to the public notice or demand of paragraph (1) does not raise objections to the particulars listed in the items of that paragraph within the period referred to in that paragraph, it is deemed that the revolving mortgagor consents to the particular listed in item (i) of that paragraph and that the revolving mortgagor and the successor insurance company, etc. pertaining to the public notice or demand of that paragraph agree on the particular listed in item (ii) of that paragraph, respectively.
- (4) When the revolving mortgagor raises objections to a part of the particulars listed in the items of paragraph (1), it is deemed that the mortgagor has raised objections to all of the particulars listed in the items of that paragraph.
- (5) The provisions of the preceding paragraphs apply mutatis mutandis to the case that the successor insurance company or Corporation that underwrote the insurance contracts seeks to assign the revolving mortgage together with all of the claims it is to guarantee before the principal is established, through the assigning of property which will be carried out in conjunction with the assignment of insurance contracts to another insurance company.

(Special Provisions on Application Procedures for Registration of a Revolving Mortgage Transfer)

Article 271-2-2 (1) In applying for the registration of the revolving mortgage transfer in the case referred to in paragraph (3) of the preceding Article (including as applied mutatis mutandis pursuant to paragraph (5) of that Article), information proving that public notice or demand was given and that the revolving mortgagor did not raise objections within the period referred to in paragraph (1) of that Article (including as applied mutatis mutandis pursuant to paragraph (5) of that Article) must be provided together with the application information.

(2) The registration of a change in the revolving mortgage to the effect of adding claims pertaining to the assignment to the scope of claims which are to be guaranteed by the revolving mortgage in the case set forth in paragraph (3) of the preceding Article (including as applied mutatis mutandis pursuant to paragraph (5) of that Article) may be applied only by the revolving mortgagor when the information prescribed in the preceding paragraph is provided together with the application information.

(Special Provisions on the Continuation of Business)

Article 271-2-3 (1) If the persons listed in the following items have succeeded through the transfer of an insurance contract or through a merger prescribed in those items to rights and duties under a contract for business that they cannot conduct or a contract restricting their engagement in the business pursuant to laws and regulations concerning the persons' business operations, they may continue to conduct the business under the contracts until the expiration date, if a deadline is prescribed in the contract, or for a period of within two years from the date of succession, if a deadline is not prescribed:

- (i) an insurance company which has received the recommendation set forth in Article 256, paragraph (1), Article 270-3-13, paragraph (1), or Article 270-6-4, paragraph (1): transfer of insurance contract pertaining to the recommendation or merger;
- (ii) a relief insurance company (meaning a relief insurance company prescribed in Article 260, paragraph (3)), secondary successor insurance company, or secondary transferee insurance company, which has received the authorization set forth in Article 268, paragraph (1), Article 270-3-12, paragraph (1), or Article 270-6-3, paragraph (1): transfer of insurance contracts pertaining to the authorization or merger; and
- (iii) a successor insurance company or a Corporation, which carries out the transfer of insurance contracts pertaining to the authorization set forth in Article 270, paragraph (1) from, or merge with, the bankrupt insurance company which has received the relevant authorization (meaning the

bankrupt insurance company prescribed in Article 260, paragraph (2)): transfer of the insurance contract or merger.

- (2) The persons prescribed in the preceding paragraph may, in the case that there is a special circumstance in view of the convenience, etc. of the user of the business under the contracts prescribed in that paragraph, create a plan for managing the business for a specified period, and when the relevant plan is approved by the Prime Minister, continue the relevant business within the extent that the total amount of that contract of the day of the transfer of the insurance contract or merger is not exceeded, and, in accordance with the relevant plan, renew the contract whose period set forth in that paragraph has expired or by exceeding the period set forth in that paragraph.

Chapter XI Shareholders

Section 1 General Provisions

(Submission of Statements Pertaining to the Holding of Voting Rights in Insurance Companies)

Article 271-3 (1) A person who holds voting rights exceeding 5 percent of all shareholders' voting rights in a single insurance company or voting rights exceeding 5 percent of all shareholders' voting rights in a single insurance holding company (excluding the State, a local public entity, or any corporation specified by Cabinet Order as one equivalent thereto (referred to as the "State, etc." in Article 271-10); such person is hereinafter referred to as a "large-volume holder of insurance company voting rights" in this Chapter and in Article 333), pursuant to the provisions of Cabinet Office Order, must submit a written notice stating the following particulars (hereinafter referred to in this Chapter as a "statement of insurance company voting right holdings") to the Prime Minister within five days (Sundays and other holidays specified by Cabinet Order are not included for the purpose of counting the days; the same applies in paragraph (1) of the following Article) from the day on which they became a large-volume holder of insurance company voting rights (within the number of days specified by Cabinet Office Order in the where the number of voting rights held has not increased or in any other case specified by Cabinet Office Order):

- (i) the particulars of the proportion of voting rights held (meaning the proportion calculated by dividing the number of voting rights that a large-volume holder of insurance company voting rights holds in an insurance company or insurance holding company in which that large-volume holder of insurance company voting rights is the holder of voting rights exceeding 5 percent of all shareholders' voting rights, by the number of all shareholders' voting rights in that insurance company or insurance holding company);

- hereinafter the same applies in this Chapter), the particulars of acquisition funding, the purpose of holding the voting rights, and any other particulars specified by Cabinet Office Order as important particulars of the holding of voting rights in an insurance company or insurance holding company;
- (ii) the trade name or name and address;
 - (iii) in the case of a corporation, the amount of its stated capital (including the total amount of contribution) and the name of its representative person; and
 - (iv) in the case where the person conducts business, the name and location of the business office and the type of the business.
- (2) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights held by a large-volume holder of insurance company voting rights in the case referred to in the preceding paragraph.

(Submission of a Statement of Changes for a Statement of Insurance Company Voting Right Holdings)

- Article 271-4 (1) A large-volume holder of insurance company voting rights, in the case if any particulars listed in the items of paragraph (1) of the preceding Article have been changed (in the case of a change in the proportion of voting rights held, it is to be limited to a case where the rate has increased or decreased by 1 percent or more) after the day on which they became a holder of voting rights exceeding 5 percent of all shareholders' voting rights in a single insurance company or voting rights exceeding 5 percent of all shareholders' voting rights in a single insurance holding company, the large-volume holder must, pursuant to the provisions of Cabinet Office Order, submit a report pertaining to that change (hereinafter referred to as a "statement of changes" in this Article and the following Article) to the Prime Minister within five days from that day (within the number of days specified by Cabinet Office Order in the case where the number of voting rights held has not increased or in any other case specified by Cabinet Office Order); provided, however, that this does not apply to the case if a statement of changes has already been submitted based on a 1 percent or greater decrease in the proportion of voting rights held and the proportion of voting rights held stated in that statement of changes is 5 percent or less, or to any other case specified by Cabinet Office Order.
- (2) A person submitting a statement of changes based on a decrease in the proportion of voting rights held, in a case that conforms to the standards specified by Cabinet Order for a case if a large number of voting rights have been transferred within a short period, must also state the particulars of the party to whom the voting rights were transferred and the consideration received in that statement of changes, pursuant to the provisions of Cabinet Office Order.
- (3) When grounds that compel a person to submit another statement of changes

have arisen by the day preceding the day of submission of a notification of insurance company voting right holdings or a statement of changes (hereinafter referred to as "required documents" in this Section), the statement of changes must be submitted to the Prime Minister at the same time as the submission of the required documents that have not been submitted, notwithstanding the provisions of the main text of paragraph (1).

- (4) A person who has submitted the required documents must, if the person finds that the content stated in the documents differs from facts or that the documents insufficiently state or lack a particular that is required to be stated or a fact that is necessary for preventing a misinterpretation, submit a correction report to the Prime Minister.
- (5) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights held by a large-volume holder of insurance company voting rights in the case referred to in paragraphs (1) and (2).

(Special Provisions on Statements of Insurance Company Voting Right Holdings)

Article 271-5 (1) Notwithstanding the provisions of Article 271-3, paragraph (1), a statement of insurance company voting right holdings pertaining to voting rights held by a bank, financial instruments transaction business operator (limited to one that conducts securities services), trust company, or any other person specified by Cabinet Office Order who has notified the Prime Minister of a reference date, if the purpose of holding such voting rights is not for controlling the business activities of the insurance company or insurance holding company that has issued the shares related to those voting rights (excluding the case in which the proportion of voting rights held has exceeded the number specified by Cabinet Office Order and any case specified by Cabinet Office Order by taking into consideration the manner in which they are held and other circumstances; hereinafter referred to as "voting rights subject to special provisions" in this Act) must be submitted to the Prime Minister by stating the particulars of the status of holding for those voting rights as of the reference date on which the proportion of voting rights held exceeded 5 percent for the first time and that are specified by Cabinet Office Order, by the fifteenth day of the month following the month containing the reference date, pursuant to the provisions of Cabinet Office Order.

- (2) A statement of changes pertaining to voting rights subject to special provisions (excluding one pertaining to a change in which the voting rights become those that are not voting rights subject to special provisions) must be submitted to the Prime Minister by the days respectively prescribed in the following items in accordance with the categories of cases listed in those items, pursuant to the provisions of Cabinet Office Order:

- (i) the case in which the proportion of voting rights held on a reference date that comes after the reference date pertaining to the notification of insurance company voting right holdings set forth in the preceding paragraph increased or decreased by 1 percent or more from the proportion of voting rights held that was stated in that statement of insurance company voting right holdings or any other case where there was a material change to particulars specified by Cabinet Office Order prescribed in that paragraph: the fifteenth day of the month following the month containing the later reference date;
 - (ii) the case in which the circumstances came to conform to the standards specified by Cabinet Office Order for a case in which the proportion of voting rights held considerably increased or decreased by the last day of any month after the month containing the reference date pertaining to the statement of insurance company voting right holdings: the 15th of the month following the month containing the last day;
 - (iii) the case in which the proportion of voting rights held on a reference date that comes after the reference date pertaining to the statement of changes increased or decreased by 1 percent or more from the proportion of voting rights held that was stated in that statement of changes or any other case where there was an important change to particulars specified by Cabinet Office Order prescribed in the preceding paragraph: the 15th of the month following the month containing that later reference date; and
 - (iv) the case specified by Cabinet Office Order as a case equivalent to any of the preceding three items: the day specified by Cabinet Office Order.
- (3) The reference date set forth in the preceding two paragraphs means the last day of the month in which a person specified by Cabinet Office Order prescribed in paragraph (1) notified the Prime Minister pursuant to the provisions of Cabinet Office Order and the last day of every three months thereafter.
- (4) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights subject to special provisions held by a large-volume holder of insurance company voting rights in the case referred to in paragraphs (1) and (2).

(Order to Submit a Correction Report)

Article 271-6 In the case where required documents have been submitted pursuant to the provisions of Article 271-3, paragraph (1), Article 271-4, paragraphs (1) or (3), or paragraph (1) or (2) of the preceding Article, if the Prime Minister finds that there is a formal deficiency in the required documents or that a material particular that is required to be stated is not sufficiently stated in the required documents, the Prime Minister may order the person who has submitted the required documents to submit a correction

report. In this case, a hearing must be carried out irrespective of the categories of procedures for hearing opinions under Article 13, paragraph (1) (Procedures Prerequisite for Adverse Dispositions) of the Administrative Procedure Act (Act No. 88 of 1993).

Article 271-7 If the Prime Minister has discovered that the required documents include a false statement with regard to a material particular, fail to state a material particular that is required to be stated, or fail to state a fact that is necessary for preventing misinterpretation, the Prime Minister may order the person who has submitted the required documents to submit a correction report at any time. In this case, a hearing must be carried out irrespective of the categories of procedures for hearing opinions under Article 13, paragraph (1) (Procedures Prerequisite for Adverse Dispositions) of the Administrative Procedure Act.

(Submission of Reports or Materials by a Large-Volume Holder of Insurance Company Voting Rights)

Article 271-8 If the Prime Minister suspects that required documents include a false statement with regard to a material particular, fail to state an important particular that is required to be stated, or fail to state a fact that is necessary for preventing misinterpretation, the Prime Minister may order the large-volume holder of insurance company voting rights that has submitted the required documents to submit reports or materials that should serve as a reference in connection with the particulars that are required to be stated in the required documents or facts that are necessary for preventing a misinterpretation.

(On-Site Inspection of a Large-Volume Holder of Insurance Company Voting Rights)

Article 271-9 (1) If the Prime Minister suspects that required documents include a false statement with regard to a material particular, fail to state a material particular that is required to be stated, or fail to state a fact that is necessary for preventing misinterpretation, the Prime Minister may have relevant officials enter an office or any other facility of the large-volume holder of insurance company voting rights who has submitted the required documents, ask questions concerning the particulars that are required to be stated in the required documents or facts necessary for avoiding misunderstanding, or inspect books, documents, and any other articles of that large-volume holder of insurance company voting rights.

(2) The official that carries out the entry, questioning, or inspection under the provisions of the preceding paragraph must indicate the reason for the entry,

questioning, or inspection to the other party.

Section 2 Special Provisions on Insurance Companies' Major Shareholders
Subsection 1 General Provisions

(Authorization to Be Obtained by an Insurance Company's Major Shareholders)
Article 271-10 (1) A person who seeks to become the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold or a person who seeks to establish a company or any other corporation that is the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold (excluding the State, etc., a company that seeks to become a holding company as prescribed in Article 271-18, paragraph (1), the person prescribed in that paragraph, and an insurance holding company that seeks to make the insurance company its subsidiary company) through the following transactions or actions must obtain authorization from the Prime Minister in advance:

- (i) acquisition of voting rights in the insurance company by the person who seeks to become the holder of those voting rights (excluding acquisition of shares through exercise of security rights or acquisition of voting rights by any other grounds specified by Cabinet Office Order);
 - (ii) acquisition of a license set forth in Article 3, paragraph (1), through a company that holds a number of voting rights equal to or exceeding the major shareholder threshold, by the person who seeks to become the holder of the relevant voting rights; or
 - (iii) any other transactions or actions specified by Cabinet Order.
- (2) A person who became the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold due to grounds other than the transactions or actions listed in the items of the preceding paragraph (excluding the State, etc., an insurance holding company, and a specified holding company prescribed in Article 271-18, paragraph (2); hereinafter referred to "specified major shareholder" in this Article and Article 333) must take necessary measures for becoming a person who is no longer the holder of a number of voting rights in the insurance company equal to or exceeding the major shareholder threshold by the day on which one year has elapsed from the end of the business year of that insurance company including the date on which the relevant grounds arose (hereinafter referred to as the "last day of the grace period" in this paragraph and paragraph (4)); provided, however, that this does not apply to the cases in which that specified major shareholder has obtained authorization from the Prime Minister to remain the holder of a number of voting rights in an insurance company equal to or

exceeding the major shareholder threshold even after the last day of the grace period.

- (3) If a specified major shareholder becomes a person who is no longer the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold due to a measure under the preceding paragraph, the person must notify the Prime Minister of this without delay. The same applies if a specified major shareholder becomes a person who is no longer the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold without the measure.
- (4) The Prime Minister may order a person who became the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold or a company or any other corporation established as the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold through any of the transactions or actions listed in the items of paragraph (1) without obtaining the authorization set forth in that paragraph or a person who remains the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold even after the last day of the grace period without obtaining the authorization set forth in the proviso to paragraph (2), to take necessary measures to cease being the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold.

Article 271-11 When an application has been filed for the authorization set forth in paragraph (1) of the preceding Article or the proviso to paragraph (2) of the preceding Article, the Prime Minister must examine whether the application conforms to the following standards:

- (i) if the person who applied for the authorization (hereinafter referred to in this Article as "applicant") is a company or any other corporation, or if a company or any other corporation is to be incorporated under the authorization, that the following standards are met:
 - (a) in view of the particulars of the acquisition funding, the purpose of holding the voting rights, or any other particulars involved in the holding of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold by that applicant or the company or any other corporation to be established under the authorization (hereinafter referred to as the "corporation applicant, etc." in this item), there is no risk of harming the sound and appropriate business of the insurance company in which that corporation applicant, etc. is or is to become the holder of a number of voting rights equal to or exceeding the major shareholder threshold;
 - (b) in view of the status of property and income and expenditure of the

- corporation applicant, etc. and its subsidiary companies (including a company that is to become a subsidiary company), there is no risk of harming the sound and appropriate business of the insurance company in which that corporation applicant, etc. is or is to become the holder of a number of voting rights equal to or exceeding the major shareholder threshold;
- (c) in view of its personnel structure, etc., the corporation applicant, etc. must have sufficient understanding of the public nature of the insurance business and have sufficient social credibility; and
- (ii) in cases other than the cases listed in the preceding items, that the following standards are met:
- (a) in view of the particulars of the acquisition funding, the purpose of holding the voting rights, or any other particulars of the holding of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold by that applicant, there is no risk of harming the sound and appropriate business of the insurance company in which that applicant is or is to become the holder of a number of voting rights equal to or exceeding the major shareholder threshold;
- (b) in view of the status of the property of the applicant (including the status of income and expenditure in the case where that applicant is a person who conducts business), there is no risk of harming the sound and appropriate business of the insurance company in which that applicant is or is to become the holder of a number of voting rights equal to or exceeding the major shareholder threshold; and
- (c) that applicant has sufficient understanding of the public nature of the insurance business and has sufficient social credibility.

Subsection 2 Supervision

(Submission of Reports or Materials by an Insurance Company's Major Shareholder)

Article 271-12 If and to the extent that the Prime Minister finds it particularly necessary for protecting policyholders, etc. and for ensuring the sound and appropriate business of an insurance company in requesting the insurance company to submit reports or materials pursuant to the provisions of Article 128, paragraph (1), the Prime Minister may request an insurance company's major shareholders who are the holders of a number of voting rights in the insurance company equal to or exceeding the major shareholder threshold, to submit reports or materials that should serve as a reference concerning the status of the business or property of that insurance company, indicating the reasons therefor.

(On-Site Inspection of an Insurance Company's Major Shareholders)

Article 271-13 (1) If and to the extent that the Prime Minister finds it particularly necessary for protecting policyholders, etc. and for ensuring the sound and appropriate business of an insurance company in carrying out the entry, questioning, or inspection of the insurance company under the provisions of Article 129, paragraph (1), the Prime Minister may have relevant officials enter an office or any other facility of an insurance company's major shareholder that holds a number of voting rights in the relevant insurance company equal to or exceeding the major shareholder threshold, ask questions concerning the status of the business or property of the insurance company or the insurance company's major shareholder, or inspect books, documents and any other articles of the insurance company's major shareholder.

(2) The official that carries out the entry, questioning, or inspection pursuant to the provisions of the preceding paragraph must indicate the reason for the entry, questioning, or inspection to the other party.

(Order for an Insurance Company's Major Shareholder to Take Measures)

Article 271-14 The Prime Minister may, when an insurance company's major shareholder no longer conforms to the standards set forth in the items of Article 271-11 (if conditions are imposed on the authorization set forth in Article 271, paragraph (1) or the proviso to Article 271, paragraph (2) pertaining to that insurance company's major shareholder based on the provisions of Article 310, paragraph (1), the standards are to include those conditions), order that insurance company's major shareholder to take necessary measures for conforming to the standards by indicating the deadline for taking the measures.

(Request for an Insurance Company's Major Shareholder to Submit an Improvement Plan)

Article 271-15 (1) If and to the extent that the Prime Minister finds it particularly necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business of an insurance company in view of the status of business or property (in the case that the insurance company's major shareholder is a company or any other corporation, this includes the status of property of subsidiary companies of the insurance company's major shareholder or any other companies to which it is specially related as specified by Cabinet Office Order to the insurance company's major shareholder) of the insurance company's major shareholder (limited to a person who holds voting rights exceeding 50 percent of all shareholders' voting rights in the insurance company; hereinafter the same applies in this Article), the Prime Minister may

request the insurance company's major shareholder to submit an improvement plan for ensuring soundness in the business of the insurance company or order amendment of the submitted improvement plan by indicating the particulars with regard to which measures must be taken and the deadline therefor, or may, to the extent necessary for achieving this, order measures necessary for supervision.

- (2) If the Prime Minister has issued an insurance company's major shareholder an order under the preceding paragraph, when the Prime Minister finds it necessary in view of the state of implementation of the measures under that order, the Prime Minister may order the insurance company in which the insurance company's major shareholder holds voting rights exceeding 50 percent of all shareholders' voting rights to take measures necessary for ensuring the sound and appropriate business of the insurance company.

(Rescission of the Authorization Granted to an Insurance Company's Major Shareholder)

Article 271-16 (1) When an insurance company's major shareholder has violated laws and regulations or a disposition given by the Prime Minister based on any laws and regulations or has performed acts that harm the public interest, the Prime Minister may order the insurance company's major shareholder to take necessary measures for the purpose of supervision, or rescind the authorization set forth in Article 271-10, paragraph (1) or the proviso to Article 271-10, paragraph (2) for the insurance company's major shareholder. In this case, the authorization set forth in paragraph (1) of that Article that pertains to incorporation is deemed to be granted to the major shareholders of the company or other corporation that has been incorporated under the authorization.

- (2) When authorization set forth in Article 271-10, paragraph (1) or the proviso to Article 271-10, paragraph (2) has been rescinded pursuant to the provisions of the preceding paragraph, an insurance company's major shareholder must take necessary measures for ceasing to be the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold within a period designated by the Prime Minister.

Subsection 3 Miscellaneous Provisions

(Application of This Act to an Insurance Company's Major Foreign Shareholders)

Article 271-17 Special provisions and technical replacement of terms for applying this Act to a foreign national or a foreign corporation that is the holder of a number of voting rights in an insurance company equal to or

exceeding the major shareholder threshold (hereinafter referred to as an "insurance company's major foreign shareholder" in this Article) and any other necessary particulars for the application of the provisions of this Act to an insurance company's major foreign shareholders are specified by Cabinet Order.

Section 3 Special Provisions on Insurance Holding Companies

Subsection 1 General Provisions

(Authorization to Be Obtained by Insurance Holding Companies)

- Article 271-18 (1) A company which seeks to become a holding company whose subsidiary companies include an insurance company, or a person who seeks to incorporate such a holding company through any of the following transactions or actions must obtain authorization from the Prime Minister in advance:
- (i) acquisition of voting rights in the insurance company by the company or its subsidiary company (excluding acquisition of shares through exercise of security rights or acquisition of voting rights by any other grounds specified by Cabinet Office Order);
 - (ii) acquisition of the license set forth in Article 3, paragraph (1) by its subsidiary company; or
 - (iii) any other transaction or action specified by Cabinet Order.
- (2) When a company becomes a holding company whose subsidiary companies include an insurance company through grounds other than the transactions or actions listed in the items of the preceding paragraph (hereinafter referred to as "specified holding company") must notify the Prime Minister of the fact that it has become a holding company whose subsidiary companies include an insurance company and of other particulars specified by Cabinet Office Order, within three months after the end of the relevant business year including the day on which the grounds arose.
- (3) A specified holding company must take necessary measures to ensure that the specified holding company ceases to be a holding company whose subsidiary companies include an insurance company by the day on which one year has elapsed from the end of the business year that contains the day on which the grounds referred to in the preceding paragraph arose (hereinafter referred to as the "last day of the grace period" in this paragraph and paragraph (5)); provided, however, that this does not apply to the cases where the specified holding company has obtained authorization from the Prime Minister to continue being a holding company whose subsidiary companies include an insurance company even after the last day of the grace period.
- (4) If a specified holding company has ceased to be a holding company whose subsidiary companies include an insurance company due to the measures pursuant to the provisions of the preceding paragraph, the specified holding

company must notify the Prime Minister of this without delay. The same applies if a specified holding company has ceased to be a holding company whose subsidiary companies include an insurance company without the measures.

- (5) The Prime Minister may order a company that has become a holding company whose subsidiary companies include an insurance company or a company incorporated as a holding company whose subsidiary companies include an insurance company due to any of the transactions or actions listed in the items of paragraph (1) without obtaining the authorization set forth in that paragraph, or a company that continues to be a holding company whose subsidiary companies include an insurance company even after the last day of the grace period without obtaining the authorization set forth in the proviso to paragraph (3), to take necessary measures to ensure that the company ceases to be a holding company whose subsidiary companies include an insurance company.

Article 271-19 (1) When an application has been filed for the authorization set forth in paragraph (1) or the proviso to paragraph (3) of the preceding Article, the Prime Minister must examine whether the application conforms to the following standards:

- (i) the company that has filed the application for authorization or which is to be established under the authorization (hereinafter referred to as the "applicant, etc." in this Article) and its subsidiary companies (including a company that is to become its subsidiary company; hereinafter the same applies in the following item) have good prospects for income and expenditure of the business;
 - (ii) in view of its personnel structure, etc., the applicant, etc. has the knowledge and experience that will enable the applicant, etc. to perform the business management of an insurance company that is or is planned to become its subsidiary company appropriately and fairly and has sufficient social credibility;
 - (iii) the business content of the subsidiary company of the applicant, etc. does not fall under any of the items of Article 271-22, paragraph (3).
- (2) An insurance holding company (excluding one incorporated based on the laws and regulations of a foreign state) must be a stock company that has the following organs:
- (i) board of directors;
 - (ii) board of company auditors, audit and supervisory committee or nominating committee, etc.; and
 - (iii) accounting auditor.

(Qualification for Directors of Insurance Holding Company)

Article 271-19-2 (1) A person who has become subject to an order commencing bankruptcy proceedings and has not been released from bankruptcy restrictions, or a person who is treated in the same manner as such a person under the laws and regulations of a foreign state, may not be appointed as a director, executive officer or auditor of an insurance holding company.

(2) The following provisions of the Companies Act do not apply to an insurance holding company: the proviso to Article 331, paragraph (2) (Qualifications of Directors) (including as the cases where it is applied mutatis mutandis pursuant to Article 335, paragraph (1) (Qualifications of Company Auditors) of that Act), Article 332, paragraph (2) (Directors' Terms of Office) (including as applied mutatis mutandis pursuant to Article 334, paragraph (1) (Accounting Advisors' Terms of Office) of that Act), Article 336, paragraph (2) (Company Auditors' Terms of Office) and the proviso to Article 402, paragraph (5) (Election of Executive Officers).

(3) An insurance holding company may not become an unlimited partner or a partner who executes the business of a membership company.

(Application, Mutatis Mutandis, of Provisions on Insurance Company's Major Shareholders)

Article 271-20 The provisions of Article 271-17 apply mutatis mutandis to a holding company whose subsidiary companies include an insurance company which was incorporated based on the laws and regulations of a foreign state.

Subsection 2 Business and Subsidiary Companies

(Scope of Business of an Insurance Holding Company)

Article 271-21 (1) An insurance holding company may not conduct business other than managing the operations of the insurance companies which are its subsidiary companies, the companies listed in Article 271-22, paragraph (1), items (ii)-2 through (xv), and any other company that has become its subsidiary company with the approval of the Prime Minister under Article 271-22, paragraph (1) or the proviso to Article 271-22, paragraph (4), or any other business incidental thereto.

(2) An insurance holding company must endeavor to ensure the sound and appropriate business of the insurance companies which are its subsidiary companies in conducting business.

(Development of a System for the Protection of Customers' Interests)

Article 271-21-2 (1) When an insurance company that is the subsidiary company of an insurance holding company, or the parent financial institution, etc. or

subsidiary financial institution, etc. of the insurance holding company conducts a transaction, that insurance holding company, pursuant to the provisions of Cabinet Office Order, must properly manage the information on business conducted by the insurance company which is the subsidiary company of that insurance holding company or by its subsidiary financial institutions, etc. (limited to the insurance business and any other business specified by Cabinet Office Order) and develop a system for properly supervising the status of implementation of the business or taking any other measures necessary so that the interests of the customer of the business will not be unjustly harmed.

(2) The term "parent financial institution, etc." as used in the preceding paragraph means a person who holds the majority of all shareholders' voting rights in an insurance holding company, and any other person that is specified by Cabinet Order as being closely related to the relevant insurance holding company and that is an insurance company, bank, financial instruments transaction business operator, or any other person conducting financial business that is specified by Cabinet Order.

(3) The term "subsidiary financial institution, etc." as referred to in paragraph (1) means a person in which an insurance holding company holds the majority of all shareholders' voting rights, and any other person specified by Cabinet Order as being closely related to the insurance holding company and that is an insurance company (excluding an insurance companies which is a subsidiary company of the relevant insurance holding company), bank, financial instruments transaction business operator, or any other person conducting financial business that is specified by Cabinet Order.

(Scope of Subsidiary Companies of an Insurance Holding Company)

Article 271-22 (1) An insurance holding company must receive the approval of the Prime Minister in advance, if it seeks to make any company other than the following companies its subsidiary company:

- (i) a life insurance company;
- (ii) a non-life insurance company;
- (ii)-2 small amount and short term insurer;
- (iii) a bank;
- (iv) a long-term credit bank;
- (iv)-2 a company specializing in fund transfers;
- (v) a company specializing in securities;
- (vi) a company specializing in securities intermediation;
- (vii) a company specializing in trusts;
- (viii) a foreign company that conducts insurance business;
- (ix) a foreign company that operates banking business (other than a company falling under the preceding item);

- (x) a foreign company that conducts securities services (other than a company falling under either of the preceding two items);
 - (xi) a foreign company which operates trust business (other than a company falling under any of the preceding three items);
 - (xii) a company which exclusively conducts the following business (limited, in case of those conducting business specified in (a) below, to a company that conducts such business mainly for business being conducted by the relevant insurance holding company, its subsidiary companies (limited to persons that fall under any of the categories in items (i), (ii) and (viii); the same applies in paragraph (5)) or other entities specified by Cabinet Office Order as being similar thereto):
 - (a) business specified by Cabinet Office Order as being dependent on the business of an insurance company or any of the companies listed in item (ii)-2 through the preceding item (referred to as "dependent services" in paragraph (5)); or
 - (b) finance-related services listed in Article 106, paragraph (2), item (ii);
 - (xiii) a company specified by Cabinet Office Order as one that explores new business fields or conducts new business activities found to contribute considerably to the improvement of management (limited to a company in which a person specified by Cabinet Office Order provided for in the preceding item holds voting rights exceeding the number calculated by multiplying all shareholders' voting rights in the company by the rate specified by Cabinet Office Order);
 - (xiv) a holding company whose subsidiary companies are only the companies listed in the preceding items and the following item, which are specified by Cabinet Office Order (including a company that is planned to become such holding company); or
 - (xv) a foreign company whose subsidiary companies are only the companies listed in the preceding items, which are the same type as a holding company or similar to a holding company (including a company that is planned to become such company, and excluding a company which falls under the preceding items).
- (2) An insurance holding company that seeks to receive the approval set forth in the preceding paragraph must submit to the Prime Minister a written application stating the business content, amount of stated capital, and personnel structure of the company covered by the application for approval, as well as other particulars specified by Cabinet Office Order.
- (3) When an application has been filed for the approval set forth in paragraph (1), unless the content of the business that the company to which the application pertains conducts or seeks to conduct falls under any of the following cases, the Prime Minister must give such approval:

- (i) it has the risk of undermining the social credibility of the insurance companies which are subsidiary companies of the insurance holding company that filed the application because it falls under the following sub-item (a) or (b):
 - (a) it may harm the public policy and good morals; or
 - (b) it may preclude the stability of the public or sound development of the national economy; or
 - (ii) it is likely to damage the soundness of management of the company covered by the application in view of the amount of stated capital, personnel structure, etc. of the company, and any such damage to its managerial soundness in turn poses the risk of damaging the soundness of management of the insurance companies which are subsidiary companies of the insurance holding company that filed the application.
- (4) The provisions of paragraph (1) do not apply if a company other than those listed in the items of the same paragraph becomes a subsidiary company of the insurance holding company as a result of the acquisition of shares or equity interests through the exercise of a security rights by the insurance holding company or any of its subsidiary companies, acquisition of shares or equity interests in a company listed in item (viii) of that paragraph by the insurance holding company or its subsidiary companies, or any other grounds specified by Cabinet Office Order; provided, however, that the insurance holding company, unless the Prime Minister approves that such company continue to be its subsidiary company, must take necessary measures for ensuring that the company ceases to be its subsidiary company within one year from the date the grounds arose (excluding an acquisition of shares or equity interests in a company listed in that item (viii) by the insurance holding company or its subsidiary companies, or any other grounds specified by Cabinet Office Order).
- (5) In the case referred to in paragraph (1), item (xii), the Prime Minister is to set the standards for to determining whether a company primarily performs dependent services for business conducted by the insurance holding company, its subsidiary companies or any other similar company specified by Cabinet Office Order.
- (6) The corresponding provisions of the Banking Act or the Long Term Credit Bank Act apply in lieu of the provisions of the preceding paragraphs to an insurance holding company that seeks to become a bank holding company (meaning a bank holding company as defined in Article 2, paragraph (13) (Definitions) of the Banking Act; the same applies hereafter in this paragraph and in Article 272-39, paragraph (6)) or a long-term credit bank holding company (meaning a long-term credit bank holding company prescribed in Article 16-4, paragraph (1) (Scope of Subsidiary Companies) of the Long-Term Credit Bank Act; the same applies hereafter in this paragraph and in Article

272-39, paragraph (6)) by making a bank or long-term credit bank its subsidiary company, or that is already a bank holding company or long-term credit bank holding company.

Subsection 3 Accounting

(Business Year of Insurance Holding Companies)

Article 271-23 The business year of an insurance holding company is from 1 April to 31 March of the following year.

(Insurance Holding Companies' Business Reports)

Article 271-24 (1) An insurance holding company, for each business year, must prepare an interim business report and business report that state in a consolidated manner the status of business or property of the insurance holding company, and its subsidiary companies and any other company to which it is specially related as specified by Cabinet Office Order (referred to as "subsidiary companies, etc." hereafter in this Subsection as well as in the following Subsection) and submit them to the Prime Minister.

(2) The particulars to be stated in the interim business report and business report, submission dates, and other necessary particulars of those reports are specified by Cabinet Office Order.

(Public Inspection of Explanatory Documents on the Status of Business and Property Pertaining to Insurance Holding Company)

Article 271-25 (1) An insurance holding company, for each business year, must prepare explanatory documents that state, with regard to the insurance holding company and its subsidiary companies, etc., the particulars specified by Cabinet Office Order as pertaining to the status of the business and property of the insurance holding company and its subsidiary companies, etc. in a consolidated manner, and keep them for public inspection in the head office and branch offices of the insurance companies which are subsidiary companies of that insurance holding company or any other equivalent place specified by Cabinet Office Order.

(2) The explanatory documents set forth in the preceding paragraph may be prepared in the form of an electronic or magnetic record.

(3) If the explanatory documents set forth in paragraph (1) are prepared in the form of an electronic or magnetic record, the insurance holding company may take the measures specified by Cabinet Office Order as measures to ensure that the information recorded in the electronic or magnetic record is available to many and unspecified persons by electronic or magnetic means at the head office and branch offices of the insurance companies which are subsidiary

companies of that insurance holding company or any other equivalent place specified by Cabinet Office Order. In this case, the explanatory documents set forth in that paragraph are deemed to be kept for public inspection pursuant to the provisions of that paragraph.

- (4) Beyond what is set forth in the preceding three paragraphs, the period for making the documents set forth in paragraph (1) available for public inspection and any other necessary particulars involved in the application of these provisions of the preceding paragraphs are specified by Cabinet Office Order.
- (5) An insurance holding company must endeavor to disclose, in addition to what is set forth in paragraph (1), any information that should serve as a reference for the policyholders and other customers of the insurance companies which are its subsidiary companies to learn the status of the business and property of the insurance holding company and its subsidiary companies, etc.

(Particulars for Entry in the Business Reports of an Insurance Holding Company)

Article 271-26 The particulars for entry in the business report and supplementary schedules prepared by an insurance holding company pursuant to the provisions of Article 435, paragraph (2) (Preparation of Financial Statements) of the Companies Act, are specified by Cabinet Office Order.

Subsection 4 Supervision

(Submission of Reports or Materials by Insurance Holding Companies)

Article 271-27 (1) In requesting an insurance company to submit a report or materials pursuant to the provisions of Article 128, paragraph (1), if the Prime Minister finds it particularly necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operations of the insurance company, the Prime Minister may request the insurance holding company whose subsidiary companies include an insurance company, the insurance holding company's subsidiary corporation, etc. (meaning a subsidiary company or any other corporation specified by Cabinet Office Order as one whose operations are controlled by the insurance holding company; the same applies in the following paragraph, and paragraphs (2) and (4) of the following Article), or a person the insurance holding company has entrusted with its business (including persons entrusted from the relevant person (including entrustment at two or more degrees of separation from the original entrustment); the same applies in the following paragraph, and paragraphs (2) and (4)), to submit a report or materials that should serve as a reference regarding the status of the business or property of the insurance company, indicating the reason therefor.

- (2) An insurance holding company's subsidiary corporation, etc. or a person that an insurance holding company has entrusted with its business may refuse to submit reports or materials under the preceding paragraph if there are legitimate grounds for doing so.

(On-Site Inspection of an Insurance Holding Company)

Article 271-28 (1) If and to the extent that the Prime Minister finds it particularly necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operations of the insurance company in making an entry, asking questions, or conducting inspection at an insurance company pursuant to the provisions of Article 129, paragraph (1), the Prime Minister may have relevant officials enter an office or any other facility of the insurance holding company whose subsidiary companies include an insurance company to ask questions on the status of the business or property of the insurance company or insurance holding company, or inspect the books, documents, and any other articles of the insurance holding company.

- (2) If and to the extent that the Prime Minister finds it particularly necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operations of the insurance company in making an entry, asking questions, or conducting inspection at an insurance company pursuant to the provisions of Article 129, paragraph (1), the Prime Minister may have relevant officials enter the business office or any other facility of an insurance holding company's subsidiary corporation, etc. of which the insurance company is a subsidiary company or the business office or any other facility of a person the insurance holding company has entrusted with its business, have the officials ask questions about the insurance company or ask questions about any particulars that are necessary for their inspection, or have the officials inspect books, documents and any other articles.

- (3) The officials who make an entry, ask questions or conduct inspection under the preceding two paragraphs must indicate the reason for the entry, questioning or inspection to the other party.

- (4) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the questioning and inspection of an insurance holding company's subsidiary corporation, etc. or of a person that an insurance holding company has entrusted with its business under paragraph (2).

(Standards for Soundness of Insurance Holding Companies)

Article 271-28-2 The Prime Minister may use the following amounts and establish standards regarding whether or not insurance companies which are owned by an insurance holding company as its subsidiary companies have an appropriate level of solvency in terms of their ability to pay insurance proceeds,

etc. as the standards by which the soundness of the business management of the insurance holding company and its subsidiary companies, etc. is determined:

- (i) total amount of stated capital, funds and reserves and other items of the insurance holding company and its subsidiary companies, etc. specified by Cabinet Office Order; and
- (ii) amount calculated pursuant to the provisions of Cabinet Office Order as the amount for addressing the risks not normally predictable that may occur due to any causes pertaining to the insurance being underwritten by the subsidiary companies, etc. of the insurance holding company, such as insured events.

(Request for Submission of Improvement Plan by an Insurance Holding Company)

Article 271-29 (1) If the Prime Minister finds it necessary for ensuring the sound and proper business operations of insurance companies which are subsidiary companies of an insurance holding company and for protecting the policyholders, etc., in view of the status of the business of the insurance holding company or the property of the insurance holding company and its subsidiary companies, etc., the Prime Minister may request the insurance holding company to submit an improvement plan for ensuring soundness in the management of the insurance companies by indicating particulars with regard to which measures must be taken and the deadline, or may order, to the extent necessary for achieving this, measures necessary for the supervision.

(2) An order under the preceding paragraph (including the request for submission of an improvement plan; the same applies in the following paragraph) that is issued when it is found to be necessary due to the level of solvency of the insurance company which is owned by an insurance holding company as its subsidiary company in terms of the insurance company's ability to pay insurance proceeds, etc. must be an order specified by Cabinet Office Order or Order of the Ministry of Finance in accordance with the category that corresponds to the level of solvency of the insurance company which is owned by an insurance holding company as its subsidiary company in terms of the insurance company's ability to pay insurance proceeds, etc.

(3) Having given an order pursuant to the provisions of paragraph (1) to an insurance holding company and finding it particularly necessary in view of the state of the implementation of the ordered measures, the Prime Minister may order the insurance companies which are subsidiary companies of that insurance holding company to take necessary measures for ensuring sound and appropriate operations.

(Rescission of Authorization Pertaining to an Insurance Holding Company)

Article 271-30 (1) When an insurance holding company has violated a law or regulation, its articles of incorporation, or any disposition of the Prime Minister based on laws or regulations, or has performed an act that harms the public interest, the Prime Minister may order the insurance holding company to dismiss its directors, executive officers, accounting advisors, company auditors or accounting auditors or to take necessary measures for the purpose of supervision, rescind the authorization given to the insurance holding company under Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3), or order the insurance companies which are subsidiary companies of that insurance holding company to suspend its business in whole or in part. In this case, the authorization set forth in paragraph (1) of that Article regarding incorporation is deemed to be granted to the insurance holding company incorporated under the authorization.

(2) When the authorization set forth in Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3) is rescinded pursuant to the provisions of the preceding paragraph, an insurance holding company must take necessary measures to ensure that it ceases to be a holding company whose subsidiary companies include an insurance company within a period designated by the Prime Minister.

(3) When the measures prescribed in the preceding paragraph have been taken, the day on which the measures were taken are deemed to be the date of occurrence of the grounds set forth in Article 171-10, paragraph (2) for the purpose of applying the provisions of the preceding paragraph if the company that has taken the measures continues to be the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold.

(4) If a holding company whose subsidiary companies include an insurance company that falls under any of the following items and the Prime Minister finds it to be necessary, the Prime Minister may order the insurance company which is a subsidiary company of that holding company to suspend its business in whole or in part:

(i) it has become a holding company whose subsidiary companies include an insurance company due to any of the transactions or actions listed in the items of that paragraph without the authorization referred to in Article 271-18, paragraph (1);

(ii) it was incorporated as a holding company whose subsidiary companies include an insurance company without the authorization referred to in Article 271-18, paragraph (1);

(iii) it continues to be a holding company whose subsidiary companies include an insurance company even after the last day of the grace period set forth in

- Article 271-18, paragraph (3) without the authorization referred to in the proviso to that paragraph; or
- (iv) it has had the authorization referred to in Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3) rescinded pursuant to the provisions of paragraph (1), and continues to be a holding company whose subsidiary companies include an insurance company after the end of the period designated by the Prime Minister under paragraph (2) without taking the measures set forth in that paragraph.

Subsection 5 Miscellaneous Provisions

(Authorization of Merger, Company Split, or Transfer or Acquisition of Business Involving Insurance Holding Companies)

- Article 271-31 (1) A merger involving an insurance holding company as a whole or part of the party (limited to a merger as a result of which a company that was an insurance holding company before the merger survives as an insurance holding company) is not effective without the authorization of the Prime Minister.
- (2) No company split to which an insurance holding company is party (limited to the case where the insurance holding company which had its business succeeded to by another party through the company split or the insurance holding company which succeeded to another party's business through the company split continues to exist as an insurance holding company even after the company split) is effective without the authorization of the Prime Minister, except for the cases specified by Cabinet Order.
- (3) No transfer or acquisition of business if an insurance holding company transfers or acquires the whole or part of its or any other party's business (limited to the case where the insurance holding company which transferred or acquired its or any other party's business continues to exist as an insurance holding company even after the transfer or the acquisition) is effective without the authorization of the Prime Minister, except for the cases specified by Cabinet Order.
- (4) The provisions of Article 271-19, paragraph (1) apply mutatis mutandis when an application has been filed for the authorization set forth in the preceding three paragraphs.

Section 4 Miscellaneous Provisions

(Particulars Requiring Notification)

- Article 271-32 (1) If an insurance company's major shareholder (including a person who was formerly an insurance company's major shareholder) falls

under any of the following items, the shareholder must notify the Prime Minister of this pursuant to the provisions of Cabinet Office Order:

- (i) if it becomes the insurance company's major shareholder under the authorization set forth in Article 271-10, paragraph (1) or is incorporated as the insurance company's major shareholder subject to the authorization;
 - (ii) if it comes to hold voting rights exceeding 50 percent of all shareholders' voting rights in the insurance company;
 - (iii) if it ceases to be the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold (excluding the case referred to in item (v));
 - (iv) if it ceases to hold voting rights exceeding 50 percent of all shareholders' voting rights in the insurance company (excluding the cases referred to in the preceding item and the following item);
 - (v) if it dissolves (including when a judgment invalidating its incorporation, share transfer, merger (limited to a merger for incorporating a company or any other corporation that is to become the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold) or incorporation-type split has become final and binding);
 - (vi) if its voting rights are acquired or comes to be held by a single shareholder, in excess of 50 percent of all shareholders' voting rights; or
 - (vii) if it falls under any other case specified by Cabinet Office Order.
- (2) If an insurance holding company (including a former insurance holding company) falls under any of the following items, it must notify the Prime Minister of this pursuant to the provisions of Cabinet Office Order:
- (i) if it becomes an insurance holding company subject to the authorization set forth in Article 271-18, paragraph (1) or is incorporated as an insurance holding company subject to the authorization;
 - (ii) if it ceases to be a holding company whose subsidiary companies include an insurance company (excluding the case referred to in item (v));
 - (iii) if it seeks to make any of the companies listed in the items of Article 271-22, paragraph (1) (except when it seeks to merge, split, or acquire a business by obtaining the authorization set forth in Article 271-31, paragraph (1), (2) or (3)) its subsidiary company;
 - (iv) if its subsidiary company ceases to be its subsidiary company (other than due to a company split or business transfer implemented with the authorization set forth in Article 271-31, paragraph (2) or (3), and the case referred to in item (ii));
 - (v) if it dissolves (including when a judgment invalidating its incorporation, share transfer, merger (limited to a merger for incorporating a holding company whose subsidiary companies include an insurance company) or incorporation-type split has become final and binding);

- (vi) if it seeks to change the amount of stated capital;
 - (vii) if its voting rights are acquired or come to be held by a single shareholder, in excess of 5 percent of all shareholders' voting rights; or
 - (viii) if it falls under any cases specified by Cabinet Office Order.
- (3) The provisions of Article 2, paragraph (15) apply mutatis mutandis to voting rights in an insurance company's major shareholder or an insurance holding company which were acquired or have come to be held by the single shareholder set forth in paragraph (1), item (vi) or the preceding paragraph, item (vii).

(Expiration of Authorization)

Article 271-33 (1) The authorization set forth in Article 271-10, paragraph (1) is to lose its effect when it falls under any of the following items; and the authorization set forth in the proviso to Article 271-10, paragraph (2) is to lose its effect when it falls under item (ii) or (iii):

- (i) the particulars under the authorization were not implemented within six months from the date of the authorization (except when there are compelling reasons and the Prime Minister had given an approval in advance);
 - (ii) the insurance company's major shareholder subject to the authorization ceases to be the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold; or
 - (iii) the insurance company's major shareholder subject to the authorization has received the authorization set forth in Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3) to make the insurance company subject to the authorization its subsidiary company.
- (2) The authorization set forth in Article 271-18, paragraph (1) loses its effect when it falls under any of the following items; and the authorization set forth in the proviso to Article 271-18, paragraph (3) loses its effect when it falls under item (ii):
- (i) the particulars under the authorization were not implemented within six months from the date of the authorization (except when there are compelling reasons and the Prime Minister had given an approval in advance); or
 - (ii) the insurance holding company subject to the authorization is no longer a holding company whose subsidiary companies include an insurance company.

Chapter XII Special Provisions on Small Amount and Short Term Insurer
Section 1 General Provisions

(Registration)

Article 272 (1) A person registered with the Prime Minister, notwithstanding the provisions of Article 3, paragraph (1), may conduct small amount and short

term insurance business.

- (2) A small amount and short term insurer must be a small-scale entrepreneur (meaning an entrepreneur receiving insurance premiums in an amount not exceeding the standard specified by Cabinet Office Order; the same applies in Article 272-26, paragraph (1), item (iii)).

(Application Procedure for Registration)

Article 272-2 (1) An applicant for the registration set forth in paragraph (1) of the preceding Article must submit a written application for registration stating the following particulars to the Prime Minister:

- (i) its trade name or name;
 - (ii) the amount of stated capital or the total amount of funds;
 - (iii) the names of directors and company auditors (in the case of a company with an audit and supervisory committee, directors, or in the case of a company with a nominating committee, etc., directors and executive officers);
 - (iv) for a company with accounting advisors, the names of accounting advisors;
 - (v) when the applicant conducts business other than small amount and short term insurance business, the content of the business; and
 - (vi) the location of its head office and other offices.
- (2) The following documents, as well as other documents to be specified by Cabinet Office Order, must be attached to the written application set forth in the preceding paragraph:
- (i) articles of incorporation;
 - (ii) statement of business procedures;
 - (iii) general policy conditions; and
 - (iv) statement of calculation procedures for insurance premiums and policy reserve.
- (3) The provisions of Article 4, paragraph (3) apply mutatis mutandis to the attachment of the articles of incorporation under the provisions of paragraph (2), item (i) pursuant to the preceding paragraph.
- (4) The documents listed in paragraph (2), items (ii) through (iv) must state the particulars specified by Cabinet Office Order.

(Registration to Register)

Article 272-3 (1) When an application has been filed for the registration under Article 272, paragraph (1), unless the Prime Minister denies the applicant registration pursuant to the provisions of paragraph (1) of the following Article, the Prime Minister must register the following particulars in the register of small amount and short term insurers:

- (i) the particulars listed in the items of paragraph (1) of the preceding Article;
- and

- (ii) the date and registration number.
- (2) The Prime Minister must make the register of small amount and short term insurers available for public inspection.

(Refusal of Registration)

Article 272-4 (1) The Prime Minister must deny an applicant registration if the applicant falls under any of the following items, or if the written application or a document attached thereto includes any false statements or fails to state a material fact:

- (i) a person that is not a stock company or mutual company (limited to the companies specified below in accordance with the following categories):
 - (a) a stock company or mutual company (hereinafter referred to as "stock company, etc." in this paragraph) whose stated capital or total funds (including the reserves for redemption of funds set forth in Article 56; the same applies in the following item) is less than the amount specified by Cabinet Order: a company with a board of directors and company auditors, or an audit and supervisory committee or a nominating committee, etc.; or
 - (b) a stock company, etc. other than the stock company, etc. listed in sub-item (a): a company with a board of directors and board of company auditors, or an audit and supervisory committee or a nominating committee, etc., and accounting auditors;
- (ii) a stock company, etc. whose stated capital or total funds is less than the amount specified by Cabinet Order as necessary and appropriate for the protection of policyholders, etc.;
- (iii) a stock company, etc. whose net assets are less than the amount specified by Cabinet Order which is provided for in the preceding item;
- (iv) a stock company, etc. whose articles of incorporation include any provisions that do not conform to laws and regulations;
- (v) a stock company, etc. whose documents listed in Article 272-2, paragraph (2), items (ii) and (iii) state any particular that does not conform to the following standards:
 - (a) its insurance contracts do not include any stipulation that poses a risk to the protection of policyholders, etc.;
 - (b) its insurance contracts do not include any stipulation that constitutes undue discriminatory treatment against specific persons;
 - (c) its insurance contracts do not include any stipulation that poses the risk of facilitating or inducing acts that harm the public policy and good morals;
 - (d) its insurance contracts do not include any stipulation that entails acceptance of excessive risk in view of the solvency of the stock company, etc.; and
 - (e) the content of its insurance contracts, including those on the rights and

- obligations of policyholders, etc., are clear and plain to policyholders, etc.;
- (vi) a stock company, etc. whose calculation procedures for insurance premiums and policy reserves as stated in the document listed in Article 272-2, paragraph (2), item (iv) have not been confirmed by the responsible actuary as reasonable and appropriate based on actuarial science;
 - (vii) a stock company, etc. whose license under Article 3, paragraph (1) was rescinded pursuant to the provisions of Article 133 or 134, whose registration under Article 272, paragraph (1) was revoked pursuant to the provisions of Article 272-26, paragraph (1) or Article 272-27, or whose registration under Article 276 or 286 was revoked pursuant to the provisions of Article 307, paragraph (1), or against which the same type of license or registration under the provisions of a foreign law or regulation equivalent to this Act (including any permission or other administrative disposition similar to the license or registration) was rescinded in the foreign state concerned, and for which five years have not elapsed since the date of the rescission;
 - (viii) a stock company, etc. sentenced to a fine (including any equivalent punishment under a foreign law or regulation) for violating the provisions of this Act, the Act concerning Regulation of Receiving of Capital Subscription, Deposits, and Interest on Deposits (Act No. 195 of 1954) or an equivalent foreign law or regulation, for which five years have not elapsed since the execution of the sentence was completed or since it ceased to be subject to the execution of the sentence;
 - (ix) a stock company, etc. that conducts a business other than the business set forth in the proviso to Article 272-11, paragraph (2) specified by Cabinet Office Order, or that other business is found to have the risk of obstructing the appropriate and secure performance of its small amount and short term insurance business;
 - (x) a stock company, etc. whose directors, executive officers, accounting advisors or company auditors include any of the following persons:
 - (a) a person who is subject to an order commencing bankruptcy proceedings and has not been released from bankruptcy restrictions, or who is receiving any similar treatment under a foreign law or regulation;
 - (b) a person who has been sentenced to imprisonment without work or severer punishment (including any equivalent punishment under a foreign law or regulation), and for whom five years have not elapsed since the execution of the sentence was completed or since the person ceased to be subject to the execution of the sentence;
 - (c) a person whose license under Article 3, paragraph (1) was rescinded pursuant to the provisions of Article 133 or 134, whose license under Article 185, paragraph (1) was rescinded pursuant to the provisions of Article 205 or 206, whose license under Article 219, paragraph (1) was

rescinded pursuant to the provisions of Article 231 or 232, whose registration under Article 272, paragraph (1) was rescinded pursuant to the provisions of Article 272-26, paragraph (1) or Article 272-27 or whose registration under Article 276 or 286 was rescinded pursuant to the provisions of Article 307, paragraph (1), or against whom the same type of license or registration under the provisions of a foreign law or regulation equivalent to this Act (including any permission or other administrative disposition similar to the license or registration) was rescinded in the foreign state concerned, and who had been a director, executive officer, accounting advisor or company auditor, or the representative person in Japan (including any similar post) of the company at any time within 30 days prior to the date of the rescission, and for whom five years have not elapsed since the date of the rescission;

- (d) a person whose registration under Article 276 or Article 286 was revoked pursuant to the provisions of Article 307, paragraph (1) or against whom the same type of registration under the provisions of a foreign law or regulation equivalent to this Act (including any permission or other administrative disposition similar to the registration) was revoked, and for whom five years have not elapsed since the date of the revocation;
- (e) a person who is subject to an order for dismissal as director, executive officer, accounting advisor, or company auditor pursuant to the provisions of Article 133, an order for dismissal as representative person in Japan pursuant to the provisions of Article 205 or 231, an order for dismissal as director, executive officer, accounting advisor, or company auditor pursuant to the provisions of Article 272-26, paragraph (2), or order for dismissal as director, executive officer, accounting advisor or company auditor or representative person in Japan (including any similar post) under the provisions of a foreign law or regulation equivalent to this Act, and for whom five years have not elapsed since the date of the disposition;
or
- (f) a person who has been sentenced to a fine (including any equivalent punishment under a foreign law or regulation) for violating a provisions of a law set forth in item (viii) or the Act to Prevent Unjust Acts by Organized Crime Group Members, etc. (Act No. 77 of 1991), or a provisions of a foreign law or regulation equivalent to those Acts, or for committing a crime under the Penal Code or the Act on Punishment of Physical Violence and Other Related Matters (Act No. 60 of 1926), and for whom five years have not elapsed since the execution of the sentence was completed or since the person ceased to be subject to the execution of the sentence;
- (xi) a stock company, etc. without sufficient personnel structure to provide small amount and short term insurance business in an appropriate manner;

or

(xii) an insurance company.

(2) The amount of net assets set forth in item (iii) of the preceding paragraph is calculated pursuant to the provisions of Cabinet Office Order.

(Deposit)

Article 272-5 (1) A small amount and short term insurer must deposit the amount of money to be specified by Cabinet Order as necessary and appropriate for the protection of policyholders, etc. with the deposit office located nearest to its head office or principal office.

(2) If the Prime Minister finds it necessary for the protection of policyholders, etc., the Prime Minister may order a small amount and short term insurer to deposit, in addition to the amount of money set forth in the preceding paragraph to be specified by Cabinet Order, the amount of money that the Prime Minister finds appropriate prior to the commencement of its small amount and short term insurance business.

(3) If a small amount and short term insurer has concluded a contract stipulating that a required amount of deposit be deposited for the small amount and short term insurer by order of the Prime Minister pursuant to the provisions of Cabinet Order and has notified the Prime Minister of this, the insurer may withhold in whole or in part the deposit under the preceding two paragraphs regarding the amount to be deposited under the relevant agreement (hereinafter referred to as the "contract amount" in this Article), so long as the contract remains in effect.

(4) If the Prime Minister finds it necessary for the protection of policyholders, etc., the Prime Minister may order a person who has concluded with a small amount and short term insurer the contract set forth in the preceding paragraph or the small amount and short term insurer concerned to make a deposit in an amount corresponding to the whole or part of the contract amount.

(5) A small amount and short term insurer must not commence small amount and short term insurance business, unless it has made the deposit referred to in paragraph (1) (including any deposit made pursuant to the provisions of paragraph (2) following an order for deposit of money under that paragraph) or concluded the contract set forth in paragraph (3), and has notified the Prime Minister to that effect.

(6) The policyholders, insured parties, or beneficiaries pertaining to insurance contracts have, with regard to any credit arising out of the insurance contracts, the right to receive payment of the claims in preference to other creditors on the deposit pertaining to the small amount and short term insurer.

(7) Any necessary particular in enforcing the right referred to in the preceding paragraph is specified by Cabinet Order.

- (8) If the amount of its deposit (including the contract amount) falls below the amount set forth in paragraph (1) to be specified by Cabinet Order for the enforcement of the right under paragraph (6) or other reasons, the small amount and short term insurer must compensate for the shortfall or conclude the contract set forth in paragraph (3) (simply referred to as "make a deposit" in Article 319, item (x)) within two weeks from the date specified by Cabinet Office Order, and notify the Prime Minister to that effect without delay.
- (9) A national government bond, local government bond, or any other securities specified by Cabinet Office Order may be deposited in lieu of the deposit set forth in paragraph (1), (2), or the preceding paragraph.
- (10) The deposit made pursuant to the provisions of paragraph (1), (2), (4), or (8) may be recovered pursuant to the provisions of Cabinet Order, if it falls under any of the following cases:
- (i) the registration made under Article 272, paragraph (1) is revoked pursuant to the provisions of Article 272-26, paragraph (1) or Article 272-27; or
 - (ii) the registration made under Article 272, paragraph (1) loses its effect pursuant to the provisions of Article 273, paragraph (1) or (3).
- (11) Beyond what is set forth in the preceding paragraphs, any necessary particulars concerning deposits are prescribed by Cabinet Office Order or Order Ministry of Justice Order.

(Small Amount and Short Term Insurer's Liability Insurance Contracts)

- Article 272-6 (1) A small amount and short term insurer that has concluded a small amount and short term insurer's liability insurance contract pursuant to the provisions of Cabinet Order may, with the Prime Minister's approval, withhold part of the deposit to be made under the preceding Article, paragraph (1), (2), or (8), or choose not to conclude the contract set forth in paragraph (3) of the same Article, in accordance with the amount insured by the contract, so long as the contract remains in effect.
- (2) If the Prime Minister finds it necessary for the protection of policyholders, etc., the Prime Minister may order a small amount and short term insurer that has concluded the small amount and short term insurer's liability insurance contract set forth in the preceding paragraph to deposit in whole or in part that part of the deposit under the preceding Article, paragraph (1), (2), or (8) which the insurer may withhold or for which it may choose not to conclude the contract set forth in paragraph (3) of the same Article.
- (3) Beyond what is prescribed in the preceding two paragraphs, any necessary particulars concerning small amount and short term insurer's liability insurance contracts are specified by Cabinet Office Order.

(Notification of Change)

Article 272-7 (1) If there has been a change to any of the particulars listed in the items of Article 272-2, paragraph (1), the small amount and short term insurer must notify the Prime Minister of this within two weeks from the day on which the change occurred.

(2) When the Prime Minister has received a notification referred to in the preceding paragraph, the Prime Minister must register that fact in the register of small amount and short term insurers.

(Posting of Signs)

Article 272-8 (1) A small amount and short term insurer must post a sign in the form specified by Cabinet Office Order at a conspicuous location in each of its offices.

(2) Any person other than a small amount and short term insurer must not post the sign set forth in the preceding paragraph or any similar sign thereto.

(3) For the purpose of applying the provisions of Article 7, paragraph (2) to a small amount and short term insurer, the phrase "letters that have the risk of being mistaken for an insurance company" is deemed to be replaced with "letters that have the risk of being mistaken for an insurance company (excluding the letters specified by Cabinet Office Order as indicating that the entity is a small amount and short term insurer)".

(Prohibition of Lending One's Name)

Article 272-9 A small amount and short term insurer must not have another person provide small amount and short term insurance business using its name.

(Restriction on Concurrent Holding of Posts by a Director)

Article 272-10 (1) A director (in the case of a company with a nominating committee, etc., executive officer) engaging in the day-to-day business of a small amount and short term insurer must not engage in the day-to-day business of another company, unless authorized by the Prime Minister.

(2) When an application has been filed for the authorization set forth in the preceding paragraph, unless the Prime Minister finds that the particulars given in the application have the risk of interfering with the sound and appropriate operations of the small amount and short-term insurer's business, the Prime Minister must grant the authorization.

Section 2 Business

(Scope of Business)

Article 272-11 (1) A small amount and short term insurer may conduct small amount and short term insurance business and any other business incidental

thereto.

- (2) A small amount and short term insurer may not conduct any business other than the business to be conducted pursuant to the provisions of the preceding paragraph; provided, however, that this does not apply if the small amount and short term insurer has received the approval of the Prime Minister pursuant to the provisions of Cabinet Office Order for any business specified by Cabinet Office Order as related to small amount and short term insurance business which are found to have no risk to the insurer in performing small amount and short term insurance business in an appropriate and secure manner.
- (3) If a written application for the registration set forth in Article 272, paragraph (1) includes a statement that the applicant seeks to conduct business other than the business to be conducted pursuant to the provisions of paragraph (1), the applicant is deemed to have received the approval set forth in the proviso to the preceding paragraph conduct such business if its application for registration is accepted.

(Method of Investment)

Article 272-12 A small amount and short term insurer must invest money received as insurance premiums and other assets by any of the following methods:

- (i) deposit with any of the banks or other financial institutions specified by Cabinet Office Order;
- (ii) acquisition of national government bonds or any other securities specified by Cabinet Office Order as equivalent thereto; or
- (iii) any other method specified by Cabinet Office Order as equivalent to the methods listed in the preceding two items.

(Amount of Insurance Proceeds for One Policyholder)

- Article 272-13 (1) A small amount and short term insurer, with regard to any one single policyholder, must not underwrite insurance for the total amount of insurance proceeds exceeding the amount specified by Cabinet Order.
- (2) The provisions of Article 100-2, Article 100-3 and Article 100-4 apply mutatis mutandis to a small amount and short term insurer. In this case, the terms "insurance company's major shareholder" and "insurance holding company" in Article 100-3 are deemed to be replaced with "small amount and short term insurer's major shareholder provided for in Article 272-34, paragraph (1)" and "small amount and short term insurance holding company prescribed in Article 272-37, paragraph (2)", respectively.

(Obligation to Conclude a Contract with a Designated Dispute Resolution Organization for Small Amount and Short Term Insurance Business)

Article 272-13-2 (1) A small amount and short term insurer must take the measures specified in the following items in accordance with the category of cases set forth in each item:

- (i) if there is a designated dispute resolution organization for small amount and short term insurance business (meaning a designated dispute resolution organization for which the category of business of dispute resolution, etc. is small amount and short term insurance business; hereinafter the same applies in this Article): measures to conclude a basic contract for implementation of dispute resolution procedures for small amount and short term insurance business with a single designated dispute resolution organization for small amount and short term insurance business;
- (ii) if there is no designated dispute resolution organization for small amount and short term insurance business: complaint processing measures and dispute resolution measures concerning small amount and short term insurance business.

(2) A small amount and short term insurer, when it has taken measures to conclude a basic contract for implementation of dispute resolution procedures pursuant to the provisions of the preceding paragraph, must make public the trade name or name of the designated dispute resolution organization for small amount and short term insurance business that is the other party to the relevant basic contract for implementation of dispute resolution procedures.

(3) The provisions of paragraph (1) do not apply to the periods specified in the following items in accordance with the category of cases set forth in each item:

- (i) if the case which had fallen under the cases set forth in paragraph (1), item (i), has come to fall under the cases set forth in item (ii) of that paragraph: the period specified by the Prime Minister at the time of granting authorization for discontinuation of business of dispute resolution, etc. pursuant to the provisions of Article 308-23, paragraph (1) or rescinding the designation pursuant to the provisions of Article 308-24, paragraph (1), as the period necessary to take the measures specified in that item;
- (ii) if the case had fallen under the cases set forth in paragraph (1), item (i), and the discontinuation of business of dispute resolution, etc. of a single designated dispute resolution organization for small amount and short term insurance business under that item has been authorized pursuant to the provisions of Article 308-23, paragraph (1) or the designation pursuant to the provisions of Article 308-2, paragraph (1) of a single designated dispute resolution organization for small amount and short term insurance business under that item has been rescinded pursuant to Article 308-24, paragraph (1) (excluding the case set forth in the preceding item): the period specified by the Prime Minister at the time of granting the authorization or making the rescission, as the period necessary for taking the measures specified in

- paragraph (1), item (i); and
- (iii) if the case which had fallen under the cases set forth in paragraph (1), item (ii) has come to fall under the cases set forth in item (i) of that paragraph: the period specified by the Prime Minister at the time of designation pursuant to the provisions of Article 308-2, paragraph (1), as the period necessary to take the measures specified in that item.

(Scope of a Small Amount and Short Term Insurer's Subsidiary Companies)

Article 272-14 (1) A small amount and short term insurer must not have as its subsidiary company any company other than one that conducts business that is dependent on its own business, or any other business specified by Cabinet Office Order as incidental or related thereto.

- (2) When a small amount and short term insurer seeks to make as its subsidiary company a company specialized in any of the business set forth in the preceding paragraph specified by Cabinet Office Order, it must receive the approval of the Prime Minister in advance, unless it receives the authorization for business acquisition, merger or company split set forth in Article 142 as applied mutatis mutandis pursuant to Article 272-30, paragraph (1), or in Article 167, paragraph (1) or Article 173-6, paragraph (1).

Section 3 Accounting

(Business Year)

Article 272-15 The business year of a small amount and short term insurer is from 1 April to 31 March of the following year.

(Business Report)

Article 272-16 (1) A small amount and short term insurer, for each business year, must prepare a business report stating the status of its business and property and submit the report to the Prime Minister.

- (2) A small amount and short term insurer that is a stock company, etc. prescribed in Article 272-4, paragraph (1), item (i), (b) (referred to as "specified small amount and short term insurer" in the following paragraph and the following Article), in addition to the business report set forth in the preceding paragraph, must prepare an interim business report and submit it to the Prime Minister.
- (3) The provisions of Article 110, paragraph (2) apply mutatis mutandis if a specified small amount and short term insurer has a subsidiary company or any other person to which it is specially related as specified by Cabinet Office Order (referred to as "subsidiary company, etc." in the following Article and Article 272-25, paragraph (1)); and the provisions of Article 110, paragraph (3)

apply mutatis mutandis to a small amount and short term insurer. In this case, the term "the preceding two paragraphs" in Article 110, paragraph (3) is deemed to be replaced with "Article 272-16, paragraphs (1) and (2), and the preceding paragraph".

(Explanatory Documents on Business and Property Status)

Article 272-17 The provisions of Article 111, paragraph (1) and paragraphs (3) through (6) apply mutatis mutandis to a small amount and short term insurer; and the provisions of Article 111, paragraph (2) apply mutatis mutandis to a specified small amount and short term insurer with any subsidiary company, etc.

(Application, Mutatis Mutandis, of Provisions on the Amortization of Business Expenditures)

Article 272-18 The provisions of Article 113, Article 115, Article 116, paragraphs (1) and (3), Article 117, and Articles 120 through 122 apply mutatis mutandis to a small amount and short term insurer; and the provisions of Article 114 apply mutatis mutandis to a stock company that is a small amount and short term insurer. In this case, the term "the preceding two paragraphs" in Article 116, paragraph (3) is deemed to be replaced with "paragraph (1)"; and the phrase "policy reserves pertaining to the insurance contracts specified by Cabinet Office Order has been funded based on a sound actuarial practice" in Article 121, paragraph (1), item (i) is deemed to be replaced with "insurance premiums pertaining to the insurance contracts specified by Cabinet Office Order are calculated using a reasonable and appropriate method based on actuarial science, and whether the policy reserves pertaining thereto has been funded using a reasonable and appropriate method based on actuarial science".

Section 4 Supervision

(Changes to Particulars Prescribed in the Statement of Business Procedures)

Article 272-19 (1) When a small amount and short term insurer seeks to change the particulars prescribed in the documents listed in Article 272-2, paragraph (2), items (ii) through (iv), it must notify the Prime Minister that it seeks to make the change in advance.

(2) If the notification prescribed in the preceding paragraph pertains to the change of a particular prescribed in the document listed in Article 272-2, paragraph (2), item (iv), the small amount and short term insurer must submit a written opinion confirming the responsible actuary's finding that the method of calculating the insurance premiums and policy reserves prescribed in the document is reasonable and relevant based on actuarial science.

- (3) The necessary particulars concerning the written opinion set forth in the preceding paragraph is specified by Cabinet Office Order.

(Statement of Changes to the Particulars Prescribed in the Statement of Business Procedures)

- Article 272-20 (1) If a notification under the preceding Article has been made, the change pertaining to the notification is deemed to be made on the day when 60 days have passed since the day following the date of receipt by the Prime Minister of the statement (or, on the day following the date of receipt of the statement, where the statement solely pertains to a change in the particulars prescribed in the document listed in Article 272-2, paragraph (2), item (iv)).
- (2) If the Prime Minister finds that the particulars of a statement under the preceding Article (other than a statement solely pertaining to a change in the particulars prescribed in the document listed in Article 272, paragraph (2), item (iv)) conform to the standards listed in Article 272-4, paragraph (1), item (v), the Prime Minister may shorten the period prescribed in the preceding paragraph to a period of time that the Prime Minister finds reasonable. In this case, the Prime Minister, without delay, must give notice of the shortened period of time to the person that made the notification.
- (3) If there are reasonable grounds to believe that a reasonable period of time is required to examine whether the particulars of a statement under the preceding Article conform to the standards listed in Article 272-4, paragraph (1), item (v), and that the examination will not be completed within the period of time prescribed in paragraph (1), the Prime Minister may extend the period of time to a period that they find reasonable. In this case, the Prime Minister, without delay, must give notice of the extended period of time and the reason for the extension to the person that made the notification.
- (4) If the Prime Minister finds that the particulars concerning the statement under the preceding Article do not conform to the standards listed in Article 272-4, paragraph (1), item (v), the Prime Minister may order the person that made the notification to change the particulars concerning the statement within a specified period time, or to revoke the notification, provided that the order is issued within 60 days from the day following the date of receipt of the statement (or within any extended period of time pursuant to the provisions of the preceding paragraph).

(Particulars Requiring Notification)

- Article 272-21 (1) If a small amount and short term insurer falls under any of the following items, the insurer must notify the Prime Minister of this pursuant to the provisions of Cabinet Office Order:
- (i) if it commences the small amount and short term insurance business;

- (ii) if its subsidiary company ceases to be its subsidiary company (other than cases due to a business transfer or company split implemented with the authorization set forth in Article 142 as applied mutatis mutandis pursuant to Article 272-30, paragraph (1), or Article 173-6, paragraph (1));
 - (iii) if it seeks to increase the amount of stated capital or the total amount of funds;
 - (iv) if it amends the articles of incorporation;
 - (v) if its voting rights are acquired or come to be held by a single shareholder, in excess of 5 percent of all shareholders' voting rights; or
 - (vi) if it falls under any other cases specified by Cabinet Office Order (or, Cabinet Office Order or Ministry of Finance Order in the cases pertaining to the financial bankruptcy processing system and financial crisis management).
- (2) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights in a small amount and short term insurer acquired or held by the single shareholder set forth in item (v) of the preceding paragraph.

(Submission of Reports or Materials)

- Article 272-22 (1) If the Prime Minister finds it necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of a small amount and short term insurer, the Prime Minister may request the small amount and short term insurer to submit a report or materials concerning the status of its business or property.
- (2) If and to the extent that the Prime Minister finds it particularly necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of a small amount and short term insurer, the Prime Minister may request the small amount and short term insurer's subsidiary corporation, etc. (meaning its subsidiary company or any other corporation specified by Cabinet Office Order as one whose management is controlled by a small amount and short term insurer; the same applies in the following paragraph and paragraphs (2) and (3) of the following Article) or a person the small amount and short term insurer has entrusted with its business (including persons entrusted from the relevant person (including entrustment at two or more degrees of separation from the original entrustment); the same applies in the following paragraph and paragraphs (2) and (3) of that Article) to submit a report or materials that should serve as a reference concerning the condition of the business or property of the small amount and short term insurer, within the limit necessary.
- (3) A small amount and short term insurer's subsidiary corporation, etc. or a person that a small amount and short term insurer has entrusted with its business may refuse to submit reports or materials required under the preceding paragraph if there are legitimate grounds for doing so.

(On-Site Inspection)

Article 272-23 (1) If the Prime Minister finds it necessary for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of a small amount and short term insurer, the Prime Minister may have relevant officials enter the business office, any other office or any other facility of the small amount and short term insurer to ask questions on the status of its business or property, or inspect books, documents, and any other articles.

(2) If and to the extent that the Prime Minister finds it particularly necessary in making an entry, asking questions, or conducting inspection pursuant to the provisions of the preceding paragraph, the Prime Minister may have relevant officials enter a facility of a small amount and short term insurer's subsidiary corporation, etc. or a person the small amount and short term insurer has entrusted with its business, have the officials ask questions about the small amount and short term insurer or ask questions about any particulars that are necessary for their inspection, or have the officials inspect books, documents and any other articles.

(3) A small amount and short term insurer's subsidiary corporation, etc. or a person that a small amount and short term insurer has entrusted with its business may refuse the questioning and inspection set forth in the preceding paragraph if there are legitimate grounds for doing so.

(Order to Change Particulars Prescribed in Statement of Business Procedures)

Article 272-24 (1) If the Prime Minister finds that the particulars prescribed by a small amount and short term insurer in the document listed in Article 272-2, paragraph (2), item (iv) fall under any of the following items, the Prime Minister may order the small amount and short term insurer to change the particulars prescribed in the document listed in that item by setting a deadline:

(i) the method of calculating insurance premiums is not found to be reasonable and relevant based on actuarial science, in view of the rate of insurance proceeds, etc. (meaning the rate found by dividing the amount of the insurance proceeds and other benefits (including any other payment specified by Cabinet Office Order as equivalent thereto) which became payable under insurance contracts within the business year concerned) by the amount of insurance premiums specified by Cabinet Office Order as received under the insurance contracts; or

(ii) the method of calculating the policy reserves is not found to be reasonable and relevant based on actuarial science.

(2) Beyond what is prescribed in the preceding paragraph, if and to the extent

that the Prime Minister find it necessary, in view of the status of the business or property of a small amount and short term insurer or change in circumstances for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of the small amount and short term insurer, the Prime Minister may order the small amount and short term insurer to change the particulars prescribed in the documents listed in Article 272-2, paragraph (2), items (ii) through (iv).

(Business Improvement Order)

Article 272-25 (1) If the Prime Minister finds it necessary, in view of the status of the business or property of a small amount and short term insurer or the status of the property of a small amount and short term insurer and its subsidiary company, etc., for protecting the policyholders, etc. and for ensuring the sound and appropriate business operation of the small amount and short term insurer, the Prime Minister may request the small amount and short term insurer to submit an improvement plan for ensuring the soundness of its management by specifying particulars with regard to which measures must be taken as well as a due date or order the changes to the submitted improvement plan, or order necessary measures for the purpose of supervision.

(2) An order under the preceding paragraph that is issued when it is found to be necessary due to the small amount and short term insurer's level of solvency in terms of its ability to pay insurance proceeds, etc. must be an order specified by Cabinet Office Order or Order of the Ministry of Finance in accordance with the category that corresponds to the small amount and short term insurer's level of solvency in terms of its ability to pay insurance proceeds, etc.

(Revocation of Registration)

Article 272-26 (1) The Prime Minister may order the total or partial suspension of the business of a small amount and short term insurer for a specified period of time, or revoke the registration set forth in Article 272, paragraph (1), if the small amount and short term insurer comes to fall under any of the following items:

(i) it falls under Article 272-4, paragraph (1), items (i) through (iv), item (vii), item (viii), or item (xi);

(ii) it obtains the registration set forth in Article 272, paragraph (1) by wrongful means;

(iii) it ceases to be a small-scale entrepreneur or violates any provisions of other laws or regulations;

(iv) it violates a disposition by the Prime Minister based on laws or regulations or a particularly important particulars prescribed in the documents listed in the items of Article 272-2, paragraph (2); or

- (v) it performs an act that harms the public interest.
- (2) If a director, executive officer, accounting advisor, or company auditor of a small amount and short term insurer falls under any of Article 272-4, paragraph (1), item (x), (a) through (f), violates any provisions of laws or regulations, or performs an act listed in item (iv) or (v) of the preceding paragraph, the Prime Minister may order the small amount and short term insurer to dismiss the director, executive officer, accounting advisor, or company auditor.

Article 272-27 If the Prime Minister finds that, from the viewpoint of protecting policyholders, etc., it is inappropriate for a small amount and short term insurer to engage in small amount and short term insurance business, because of extreme deterioration in the status of its property, the Prime Minister may revoke the registration of the small amount and short term insurer under Article 272, paragraph (1).

(Application, Mutatis Mutandis, of the Provisions on the Standard of Soundness)

Article 272-28 The provisions of Article 130 apply mutatis mutandis to a small amount and short term insurer.

Section 5 Transfers of Insurance Contracts

(Application, Mutatis Mutandis, of the Provisions on Transfers of Insurance Contracts)

Article 272-29 The provisions of Chapter VII, Section 1 apply mutatis mutandis to the transfer of insurance contracts of a small amount and short term insurer. In this case, the term "foreign insurance company, etc." in Article 135, paragraph (1) is deemed to be replaced with "foreign insurance company, etc. and small amount and short term insurer".

(Mutatis Mutandis Application of the Provisions on Transfer or Acquisition of Business and on Entrustment of Business and Property Administration)

Article 272-30 (1) The provisions of Article 142 apply mutatis mutandis to the transfer or acquisition of business in which all the small amount and short term insurers or some of them are the party.

(2) The provisions of Chapter VII, Section 3 apply mutatis mutandis to cases if a small amount and short term insurer entrusts the administration of its business and property. In this case, the term "foreign insurance company, etc. (unless otherwise specified by Cabinet Office Order)" in Article 144, paragraph (1) is deemed to be replaced with "foreign insurance company, etc. (unless

otherwise specified by Cabinet Office Order) and small amount and short term insurer ".

Section 6 Shareholders

Subsection 1 Small Amount and Short Term Insurers' Major Shareholders

(Approval of Holders of Voting Rights in a Small Amount and Short Term Insurer Equal to or Exceeding the Major Shareholder Threshold)

Article 272-31 (1) A person who seeks to become the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold or to incorporate a company or other corporation that is the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold through the following transactions or actions (other than the State, etc. set forth in Article 271-10, paragraph (1), the company set forth in Article 272-35, paragraph (1) that seeks to become a holding company, the person set forth in that paragraph or the small amount and short term insurance holding company set forth in Article 272-37, paragraph (2) that seeks to make a small amount and short term insurer its subsidiary company), must obtain the approval of the Prime Minister in advance:

- (i) acquisition of voting rights in a small amount and short term insurer by a person seeking to hold the relevant voting rights (except for those obtained by the acquisition of shares through the exercise of a security right or due to any other grounds specified by Cabinet Office Order);
 - (ii) an action through which the registration set forth in Article 272, paragraph (1), is obtained, through a company that holds a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold, by the person seeking to become the holder of the relevant voting rights; or
 - (iii) any other transaction or action specified by Cabinet Order.
- (2) Any person that has become the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold due to grounds other than the transactions or actions listed in the items of the preceding paragraph (other than the State, etc. set forth in Article 271-10, paragraph (1), the specified small amount and short term insurance holding company set forth in Article 272-35, paragraph (2) or the small amount and short term insurance holding company set forth in Article 272-37, paragraph (2); hereinafter referred to as a "small amount and short term insurer's specified major shareholder" in this Article and Article 333) must take necessary measures for ensuring that it will cease to be the holder of a

number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold by the date one year after the last day of the small amount and short term insurer's business year in which the grounds arose (hereinafter referred to as the "last day of the grace period" in this paragraph and paragraph (4)); provided, however, that this does not apply if the small amount and short term insurer's specified major shareholder has received approval from the Prime Minister for continuing to be the holder of a number of voting rights in the small amount and short term insurer equal to or exceeding the major shareholder threshold after the last day of the grace period.

- (3) If a small amount and short term insurer's specified major shareholder has ceased to be the holder of a number of voting rights in the small amount and short term insurer equal to or exceeding the major shareholder threshold due to the measures referred to in the preceding paragraph, the shareholder must notify the Prime Minister of this without delay. The same applies if the shareholder has ceased to be the holder of a number of voting rights in the small amount and short term insurer equal to or exceeding the major shareholder threshold without the measures.
- (4) The Prime Minister may order a person who has become the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold through the transactions or actions listed in the items of paragraph (1) or a company or other corporations incorporated as the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold, without receiving the approval set forth in paragraph (1), or a person that continues to be the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold, even after the last day of the grace period, without receiving the approval set forth in the proviso to paragraph (2), to take necessary measures for ensuring that it will cease to be the holder of a number of voting rights in the small amount and short term insurer equal to or exceeding the major shareholder threshold.
- (5) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights held by the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold, in the cases referred to in the preceding paragraphs.

(Application Procedure for Approval)

Article 272-32 (1) A person that seeks to receive the approval set forth in the preceding Article, paragraph (1) or the proviso to paragraph (2) must submit a written application for approval stating the following particulars to the Prime Minister:

- (i) the particulars of the proportion of voting rights held (meaning the proportion calculated by dividing the number of voting rights the applicant for approval holds in the small amount and short term insurer to which the approval pertains, by all shareholders' voting rights in the small amount and short term insurer; the same applies in Article 272-36, paragraph (1) and Article 272-42, paragraph (1)), the particulars of the acquisition funding, the purpose of holding the voting rights, and other particulars specified by Cabinet Office Order as material particulars of the holding of voting rights in a small amount and short term insurer;
 - (ii) its trade name, name, and address;
 - (iii) for a corporation, the amount of stated capital or contribution and the name of its representative person; and
 - (iv) if it conducts business, the names and locations of its business offices and the type of its business.
- (2) The written application for approval set forth in the preceding paragraph must be attached with a document containing a pledge that the application does not fall under paragraph (1), item (i), (c) or item (ii), (c) of the following Article and other documents specified by Cabinet Office Order.
- (3) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights held by the person submitting the written application for approval in the case referred to in paragraph (1).

Article 272-33 (1) When an application has been filed for the approval under Article 272-31, paragraph (1) or the proviso to Article 272-31, paragraph (2), with the exception of cases falling under any of the following items, the Prime Minister must give the approval:

- (i) if the person that filed the application for approval (hereinafter referred to as "applicant" in this Article) is a company or any other corporation, or a company or any other corporation is to be incorporated with the approval, when any of the following sub-items applies:
 - (a) in view of the particulars of the acquisition funding, the purpose of holding the voting rights or any other particular involved in the holding of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold by the company or any other corporation to be incorporated with the approval (hereinafter referred to as "corporation applicant, etc." in this item), the application has a risk of harming the sound and appropriate business operation of the small amount and short term insurer in which the corporation applicant, etc. holds, or is to hold, a number of voting rights equal to or exceeding the major shareholder threshold;
 - (b) in view of the condition of the property and balance of payment of the

corporation applicant, etc. and its subsidiary companies (including a company that is to become a subsidiary company), the application has a risk of harming the sound and appropriate business operation of the small amount and short term insurer in which the corporation applicant, etc. holds, or is to hold, a number of voting rights equal to or exceeding the major shareholder threshold; or

(c) the corporation applicant, etc. falls under any of the following:

1. a person whose license under Article 3, paragraph (1) was rescinded pursuant to the provisions of Article 133 or 134, whose license under Article 185, paragraph (1) was rescinded pursuant to the provisions of Article 205 or 206, whose license under Article 219, paragraph (1) was rescinded pursuant to the provisions of Article 231 or 232, whose registration under Article 272, paragraph (1) was revoked pursuant to the provisions of Article 272-26, paragraph (1) or Article 272-27 or whose registration under Article 276 or 286 was revoked pursuant to the provisions of Article 307, paragraph (1), or whose license or the same type of registration obtained under a foreign law or regulation equivalent to this Act (including any permission or other administrative disposition similar to the license or registration) was rescinded in the foreign state concerned, and for whom five years have not elapsed since the date of the rescission;
2. a person sentenced to a fine (including any equivalent punishment under a foreign law or regulation) for violating a provision of any of the laws prescribed in Article 272-4, paragraph (1), item (viii) or any foreign law or regulation equivalent thereto, and for whom five years have not elapsed since the execution of the sentence was completed or since the person ceased to be subject to the execution of the sentence;
3. a person whose officers include a person listed in Article 331, paragraph (1), item (ii) or item (iii) of the Companies Act (Qualifications of Directors) as applied following the deemed replacement of terms pursuant to the provisions of Article 12, paragraph (1), or a person falling under any of Article 272-4, paragraph (1), item (x), (a) through (f); or

(ii) in the cases other than those listed in the preceding item, if any of the following sub-items applies:

- (a) in view of the particulars of the acquisition funding, the purpose of holding the voting rights or any other particular involved in the holding of a number of voting rights in the small amount and short term insurer equal to or exceeding the major shareholder threshold by the applicant, the application has a risk of damaging the sound and appropriate business operation of the small amount and short term insurer in which the

applicant holds, or is to hold, a number of voting rights equal to or exceeding the major shareholder threshold;

(b) in view of the status of the property of the applicant (including the state of balance of payments, if the applicant conducts business), the application has a risk of damaging the sound and appropriate business operation of the small amount and short term insurer in which the applicant holds, or is to hold, a number of voting rights equal to or exceeding the major shareholder threshold; or

(c) the applicant falls under any of the following cases:

1. a person specified by Cabinet Office Order as one who is unable to properly exercise a shareholder right due to a mental or physical disorder (for a person who assigns an agent for the exercise of the right of a shareholder due to a mental or physical disorder, limited to a person that the agent specifies under the relevant Cabinet Office Order, or a person falling under Article 331, paragraph (1), item (iii) of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of Article 12, paragraph (1), or any of Article 272-4, paragraph (1), item (x), (a) through (f)); or
2. a person set forth in Article 331, paragraph (1), item (iii) of the Companies Act as applied following the deemed replacement of terms pursuant to the provisions of Article 12, paragraph (1), or a person falling under any of Article 272-4, paragraph (1), item (x), (a) through (f).

(2) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights held by the applicant in the case referred to in the preceding paragraph.

(Application, Mutatis Mutandis, of the Provisions on Supervision)

Article 272-34 (1) The provisions of Articles 271-12 through 271-14 and Article 271-16 apply mutatis mutandis to a small amount and short term insurer's major shareholder that holds a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold (meaning a person that has received the approval to hold such voting rights for the transactions or actions listed in items of Article 272-31, paragraph (1), was incorporated with the approval set forth in the same paragraph, or has received the approval set forth in the proviso to paragraph (2) of the same Article; the same applies hereinafter). In this case, the term "Article 128, paragraph (1)" in Article 271-12 is deemed to be replaced with "Article 272-22, paragraph (1)"; the term "Article 129, paragraph (1)" in Article 271-13 is deemed to be replaced with "Article 272-23, paragraph (1)"; the phrases "the items of Article 271-11" and "authorization set forth in the proviso to Article

271, paragraph (1) or (2)" in Article 271-14 are deemed to be replaced with "Article 272-33, paragraph (1), items (i) and (ii)" and "approval set forth in Article 272-31, paragraph (1) or the proviso to Article 272-31, paragraph (2)", respectively; the phrases "authorization of the insurer's major shareholder set forth in the proviso to Article 271-10, paragraph (1) or (2)", "authorization set forth in Article 271-10, paragraph (1)" and "the authorization" in Article 271-16, paragraph (1) are deemed to be replaced with "approval of the insurer's major shareholder set forth in Article 272-31, paragraph (1) or the proviso to Article 272-31, paragraph (2)", "approvals set forth in Article 272-31, paragraph (1)", and "the approval", respectively; and the phrase "authorization set forth in the proviso to Article 271-10, paragraph (1) or (2)" in Article 271-16, paragraph (2) is deemed to be replaced with "approval set forth in Article 272-31, paragraph (1) or the proviso to Article 272-31, paragraph (2)".

- (2) The provisions of Article 2, paragraph (15) apply mutatis mutandis to the voting rights held by the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold in the case referred to in the preceding paragraph.

Subsection 2 Small Amount and Short Term Insurance Holding Company

(Approval Pertaining to Small Amount and Short Term Insurance Holding Company)

Article 272-35 (1) A company that seeks to become a holding company whose subsidiary companies include a small amount and short term insurer through any of the following transactions or actions, or a person that seeks to incorporate a holding company whose subsidiary companies include a small amount and short term insurer must receive the approval of the Prime Minister in advance:

- (i) acquisition of voting rights in the small amount and short term insurer by the company or any of its subsidiary companies (excluding that through the acquisition of shares by the exercise of a security right or any other grounds specified by Cabinet Office Order);
 - (ii) an action by a subsidiary company of the company to obtain the registration set forth in Article 272, paragraph (1); or
 - (iii) any other transaction or action specified by Cabinet Order.
- (2) A company that has become a holding company whose subsidiary companies include a small amount and short term insurer due to grounds other than the transactions or actions listed in items of the preceding paragraph (hereinafter referred to as "specified small amount and short term insurance holding company"), within three months from the end of the business year in which the

grounds arose, must notify the Prime Minister of the fact that the company has become a holding company whose subsidiary companies include a small amount and short term insurer, and other particulars specified by Cabinet Office Order.

- (3) A specified small amount and short term insurance holding company must take necessary measures to ensure that the company will cease to be a holding company whose subsidiary companies include a small amount and short term insurer by the date that is one year after the last day of the business year in which the grounds set forth in the preceding paragraph arose (hereinafter referred to as "last day of the grace period" in this paragraph and paragraph (5)); provided, however, that this does not apply if the Prime Minister approves that the specified small amount and short term insurance holding company continues to be a holding company whose subsidiary companies include a small amount and short term insurer after the last day of the grace period.
- (4) If a specified small amount and short term insurance holding company has ceased to be a holding company whose subsidiary companies include a small amount and short term insurer through the measures taken under the preceding paragraph, the company must notify the Prime Minister of this without delay. The same applies if the company has ceased to be a holding company whose subsidiary companies include a small amount and short term insurer without the measures.
- (5) The Prime Minister may order a company that has become a holding company whose subsidiary companies include a small amount and short term insurer through the transactions or actions listed in the items of paragraph (1) or was incorporated as a holding company whose subsidiary companies include a small amount and short term insurer without the approval set forth in paragraph (1), or a company that continues to be a holding company whose subsidiary companies include a small amount and short term insurer after the last day of the grace period without the approval set forth in the proviso to paragraph (3), to take necessary measures to ensure that it will cease to be a holding company whose subsidiary companies include a small amount and short term insurer.

Article 272-36 (1) A person seeking to receive the approval set forth in the preceding Article, paragraph (1) or the proviso to paragraph (3) must submit a written application for approval stating the following particulars to the Prime Minister:

- (i) the particulars of the proportion of voting rights held, the particulars of the acquisition funding, the purpose of holding the voting rights, and other particulars specified by Cabinet Office Order as material particulars of the holding of voting rights in a small amount and short term insurer;
- (ii) its trade name;
- (iii) the amount of stated capital;

- (iv) the names of its directors and company auditors (in the case of a company with an audit and supervisory committee, directors, or in the case of a company with nominating committee, etc., directors and executive officers); and
 - (v) the names and addresses of its head office and other offices.
- (2) The written application for approval set forth in the preceding paragraph must be attached with the articles of incorporation, the balance sheet, the profit and loss statement, a document containing a pledge that the application does not fall under paragraph (1), item (iii) of the following Article, and other documents specified by Cabinet Office Order.

Article 272-37 (1) When an application has been filed for the approval referred to in Article 272-35, paragraph (1) or the proviso to Article 272-35, paragraph (3), with the exception of cases falling under any of the following items, the Prime Minister must give the approval:

- (i) in view of the status of the property and balance of payment of the company that filed the application for approval or the company to be incorporated with the approval (hereinafter referred to as "applicant, etc." in this Article) and its subsidiary companies (including a company that is to become a subsidiary company), the applicant, etc. has a risk of damaging the sound and appropriate business operation of the small amount and short term insurer that is, or is to be its subsidiary company;
 - (ii) in view of its personnel structure, etc., the applicant, etc. does not have the necessary knowledge and experience for ensuring the appropriate and fair management of the small amount and short term insurer that is, or is to be, its subsidiary company;
 - (iii) the applicant, etc. falls under Article 272-33, paragraph (1), item (i), (c); or
 - (iv) the business content of the subsidiary company of the applicant, etc. falls under any of the items of Article 272-39, paragraph (3).
- (2) A small amount and short term insurance holding company (meaning a holding company whose subsidiary companies include a small amount and short term insurer that has received the approval to hold the relevant voting rights for the transactions or actions listed in items of Article 272-35, paragraph (1), was incorporated with the approval set forth in Article 272-35, paragraph (1), or has received the approval set forth in the proviso to Article 272-35, paragraph (3); the same applies hereinafter) must be a stock company that has the following organs, unless it was incorporated based on the laws and regulations of a foreign state:
- (i) board of directors;
 - (ii) board of company auditors, audit and supervisory committee or nominating committee, etc.; and

(iii) accounting auditor.

(Qualification for Directors of Small Amount and Short Term Insurance Holding Company)

Article 272-37-2 (1) The following provisions in the Companies Act do not apply to a small amount and short term insurance holding company: the proviso to Article 331, paragraph (2) (Qualifications of Directors) (including as applied mutatis mutandis pursuant to Article 335, paragraph (1) (Qualifications of Company Auditors) of that Act), Article 332, paragraph (2) (Directors' Terms of Office) (including as applied mutatis mutandis pursuant to Article 334, paragraph (1) (Accounting Advisors' Terms of Office) of that Act), Article 336, paragraph (2) (Company Auditors' Terms of Office) and the proviso to Article 402, paragraph (5) (Election of Executive Officers).

(2) A small amount and short term insurance holding company may not become an unlimited partner or a partner who executes the business of a membership company.

(Scope of Business of Small Amount and Short Term Insurance Holding Companies)

Article 272-38 (1) A small amount and short term insurance holding company may not conduct business other than managing the operation of a company falling under items of paragraph (1) of the following Article and other companies that have become its subsidiary company with the approval of the Prime Minister set forth in Article 272-39, paragraph (1) or the proviso to Article 272-39, paragraph (4), or any other business incidental thereto.

(2) A small amount and short term insurance holding company, in conducting its business, must endeavor to ensure the sound and appropriate business operation of the small amount and short term insurer which is its subsidiary company.

(Scope of Subsidiary Companies of a Small Amount and Short Term Insurance Holding Company)

Article 272-39 (1) A small amount and short term insurance holding company must receive approval from the Prime Minister in advance, when it seeks to make any company other than the companies specified in the following items its subsidiary company:

(i) a small amount and short term insurer; or

(ii) a company specialized in business that is dependent on the business conducted by a small amount and short term insurer, or any business specified by Cabinet Office Order as incidental or related thereto.

(2) A small amount and short term insurance holding company that seeks to

receive the approval set forth in the preceding paragraph must submit to the Prime Minister a written application stating the business content, amount of stated capital and personnel structure of the company covered by the application for approval, and other particulars specified by Cabinet Office Order.

- (3) When an application has been filed for the approval referred to in paragraph (1), with the exception of cases in which the content of the business that the company to which the application pertains conducts or seeks to conduct falls under one of the following items, the Prime Minister must give the approval:
 - (i) the content of the business may harm the public policy and good morals; or
 - (ii) the content of the business is likely to damage the soundness of management of the company pertaining to the application in view of the amount of stated capital, personnel structure, etc. of the company, and if the soundness of management is damaged, there is a risk of harming the soundness of management of the small amount and short term insurer which is a subsidiary company of the small amount and short term insurance holding company that has filed the application.
- (4) The provisions of paragraph (1) do not apply if a company other than one listed in paragraph (1), items (i) or (ii) becomes a subsidiary company of the small amount and short term insurance holding company through the acquisition of shares or equity interests by the exercise of security rights by the small amount and short term insurance holding company or its subsidiary companies, or any other grounds specified by Cabinet Office Order; provided, however, that the small amount and short term insurance holding company, unless the Prime Minister approves that the company continue to be its subsidiary company, must take necessary measures to ensure that the company will cease to be its subsidiary company within one year from the date the grounds arose.
- (5) The provisions of Article 271-22 apply in lieu of the provisions of paragraph (1) of the preceding Article and the preceding paragraphs to a small amount and short term insurance holding company that seeks to become an insurance holding company by making an insurance company its subsidiary company, or that is already an insurance holding company.
- (6) The corresponding provisions of the Banking Act or the Long-Term Credit Bank Act apply in lieu of the provisions of paragraph (1) of the preceding Article and paragraphs (1) through (4) to a small amount and short term insurance holding company that seeks to become a bank holding company or long-term credit bank holding company by making a bank or long-term credit bank its subsidiary company, or that is already a bank holding company or long-term credit bank holding company.

(Application, Mutatis Mutandis, of the Provisions on Accounting and Supervision)

Article 272-40 (1) The provisions of Article 271-23 apply mutatis mutandis to the business year of a small amount and short term insurance holding company; the provisions of Article 271-24 apply mutatis mutandis to an interim business report or business report that state in a consolidated manner the status of the business and property of a small amount and short term insurance holding company, its subsidiary companies and any other company to which it is specially related as specified by Cabinet Office Order (hereinafter referred to as "subsidiary companies, etc." in this Article); the provisions of Article 271-25, paragraphs (1) through (4) apply mutatis mutandis to explanatory documents that state the particulars specified by Cabinet Office Order as pertaining to the status of the business and property of a small amount and short term insurance holding company and its subsidiary companies, etc. in a consolidated manner with regard to the small amount and short term insurance holding company and its subsidiary companies, etc.; the provisions of Article 271-25, paragraph (5) apply mutatis mutandis to a small amount and short term insurance holding company; and the provisions of Article 271-26 apply mutatis mutandis to the particulars stated in the business report and annexed detailed statements of a small amount and short term insurance holding company.

(2) The provisions of Article 271-27 apply mutatis mutandis to a small amount and short term insurance holding company whose subsidiary companies include a small amount and short term insurer, a small amount and short term insurance holding company's subsidiary corporation, etc. (meaning a subsidiary company or any other corporation specified by Cabinet Office Order as one whose management is controlled by a small amount and short term insurance holding company; hereinafter the same applies in this Article) or a person the small amount and short term insurance holding company has entrusted with its business (including persons entrusted from the relevant person (including entrustment at two or more degrees of separation from the original entrustment); the same applies in this paragraph); the provisions of Article 271-28, paragraph (1) apply mutatis mutandis to a small amount and short term insurance holding company whose subsidiary companies include a small amount and short term insurer; the provisions of Article 271-28, paragraphs (2) and (4) apply mutatis mutandis to a small amount and short term insurance holding company's subsidiary corporation, etc. and a person that a small amount and short term insurance holding company has entrusted with its business; the provisions of Article 271-28, paragraph (3) apply mutatis mutandis to the official who makes an entry, asks questions or conducts inspection under those provisions; the provisions of Article 271-28-2 apply mutatis mutandis to a small amount and short term insurer which is a

subsidiary company of a small amount and short term insurance holding company; the provisions of Article 271-29, paragraph (1) and paragraph (2) apply mutatis mutandis to a small amount and short term insurance holding company; the provisions of Article 271-29, paragraph (3) apply mutatis mutandis to a small amount and short term insurer which is a subsidiary company of a small amount and short term insurance holding company; and the provisions of Article 271-30 apply mutatis mutandis to a small amount and short term insurance holding company or a small amount and short term insurer which is a subsidiary company of a small amount and short term insurance holding company. In this case, the term "Article 128, paragraph (1)" in Article 271-27, paragraph (1) is deemed to be replaced with "Article 272-22, paragraph (1)"; the term "Article 129, paragraph (1)" in Article 271-28, paragraphs (1) and (2) is deemed to be replaced with "Article 272-23, paragraph (1)"; the terms "authorization given to the insurance holding company under Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3)", "authorization set forth in Article 271-18, paragraph (1)" and "the authorization" in Article 271-30, paragraph (1) are deemed to be replaced with "approval given to the insurance holding company under Article 272-35, paragraph (1) or the proviso to Article 272-35, paragraph (3)", "approval set forth in Article 272-35, paragraph (1)" and "the approval", respectively; the phrase "authorization set forth in Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3)" in Article 271-30, paragraph (2) is deemed to be replaced with "approval set forth in Article 272-35, paragraph (1) or the proviso to Article 272-35, paragraph (3)"; the term "Article 271-10, paragraph (2)" in Article 271-30, paragraph (3) is deemed to be replaced with "Article 272-31, paragraph (2)"; the term "authorization set forth in Article 271-18, paragraph (1)" in Article 271-30, paragraph (4), items (i) and (ii) is deemed to be replaced with "approval set forth in Article 272-35, paragraph (1)"; the term "Article 271-18, paragraph (3) without the authorization set forth in the proviso to that paragraph" in Article 271-30, paragraph (4), item (iii) is deemed to be replaced with "Article 272-35, paragraph (3) without the approval set forth in the proviso to that paragraph"; and the phrase "authorization under Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3)" in Article 271-30, paragraph (4), item (iv) is deemed to be replaced with "approval under Article 272-35, paragraph (1) or the proviso to Article 272-35, paragraph (3)".

Subsection 3 Miscellaneous Provisions

(Application of This Act to Small Amount and Short Term Insurers' Major Foreign Shareholders and to Foreign Small Amount and Short Term

Insurance Holding Companies)

Article 272-41 Cabinet Order is to prescribe special provisions and technical replacement of terms in applying this Act to a foreign national or foreign corporation that is the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold and to a company incorporated in accordance with the laws and regulations of a foreign state whose subsidiary companies include a small amount and short term insurer (hereinafter referred to as a "small amount and short term insurer's major foreign shareholder, etc." in this Article), and any other necessary particular for applying the provisions of this Act to a small amount and short term insurer's major foreign shareholder, etc.

(Particulars Requiring Notification)

Article 272-42 (1) If a small amount and short term insurer's major shareholder (including a person that used to be a small amount and short term insurer's major shareholder) falls under any of the following items, the shareholder must notify the Prime Minister of this pursuant to the provisions of Cabinet Office Order:

- (i) if the shareholder becomes a small amount and short term insurer's major shareholder subject to the approval set forth in Article 272-31, paragraph (1) or is incorporated as the small amount and short term insurer's major shareholder subject to the approval;
- (ii) if any of the particulars listed in the items of Article 272-32, paragraph (1) is changed (excluding changes to the proportion of voting rights held);
- (iii) if the shareholder comes to hold voting rights exceeding 50 percent of all shareholders' voting rights in the small amount and short term insurer;
- (iv) if the shareholder ceases to be the holder of a number of voting rights in the small amount and short term insurer equal to or exceeding the major shareholder threshold (excluding the case referred to in item (vi));
- (v) if the shareholder ceases to hold voting rights exceeding 50 percent of all shareholders' voting rights in the small amount and short term insurer (excluding the cases referred to in the preceding item and the following item);
- (vi) if the shareholder dissolves (including the case if a judgment invalidating the incorporation, share transfer, merger (limited to a merger resulting in incorporating a company or other corporation that becomes the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold) or an incorporation-type split pertaining to the holder has become final and binding);
- (vii) if the shareholder's voting rights are acquired or come to be held by a single shareholder, in excess of 50 percent of all shareholders' voting rights;

- or
- (viii) if the shareholder falls under any other case specified by Cabinet Office Order.
- (2) If a small amount and short term insurance holding company (including a former small amount and short term insurance holding company) falls under any of the following items, it must notify the Prime Minister of this pursuant to the provisions of Cabinet Office Order:
- (i) the company becomes a small amount and short term insurance holding company subject to the approval set forth in Article 272-35, paragraph (1) or is incorporated as a small amount and short term insurance holding company subject to the approval;
 - (ii) the company ceases to be a holding company whose subsidiary companies include a small amount and short term insurer (excluding the case referred to in item (v));
 - (iii) the company seeks to make the companies listed in items of Article 272-39, paragraph (1) its subsidiary company;
 - (iv) its subsidiary company ceases to be a subsidiary company (excluding the case referred to in item (ii));
 - (v) the company dissolves (including the case if a judgment invalidating the establishment, share transfer, merger (limited to a merger for incorporating a holding company to make a small amount and short term insurer its subsidiary company), or incorporation-type split has become final and binding);
 - (vi) the company seeks to change the amount of stated capital;
 - (vii) the company's voting rights constituting over 5 percent of all shareholders' voting rights are acquired or come to be held by a single shareholder; or
 - (viii) the company falls under other cases specified by Cabinet Office Order.
- (3) The provisions of Article 2, paragraph (15) apply mutatis mutandis to voting rights in a small amount and short term insurer's major shareholder or in a small amount and short term insurance holding company which were acquired or have come to be held by the single shareholder set forth in paragraph (1), item (vii) or the preceding paragraph, item (vii).

(Expiration of Approval)

Article 272-43 The provisions of Article 271-33, paragraph (1) apply mutatis mutandis to the approval given to a small amount and short term insurer's major shareholder under Article 272-31, paragraph (1) or the proviso to Article 272-31, paragraph (2); and the provisions of Article 271-33, paragraph (2) apply mutatis mutandis to the approval given to a small amount and short term insurance holding company under Article 272-35, paragraph (1) or the proviso to Article 272-35, paragraph (3).

Chapter XIII Miscellaneous Provisions

(Expiration of License or Registration)

Article 273 (1) The license set forth Article 3, paragraph (1) or Article 185, paragraph (1), or the registration set forth in Article 272, paragraph (1) is to lose its effect for an insurance company (including a foreign insurance company, etc.) or a small amount and short term insurance company falls under any of the following items (items (i) or (v) for a foreign insurance company, etc.):

- (i) the company has discontinued its insurance business (for a foreign insurance company, etc., its insurance business in Japan; the same applies in item (v));
- (ii) the company has dissolved (including if a judgment invalidating its incorporation, share transfer, merger (limited to a merger for incorporating an insurance company) or an incorporation-type split has become final and binding);
- (iii) a stock company operating insurance business has transferred all of its insurance contracts;
- (iv) a stock company operating insurance business has carried out a company split and has all of its insurance contracts succeeded to by the split; or
- (v) the company does not commence insurance business within six months from the date of obtaining the license or registration (except when there is a compelling reason and the company received the approval of the Prime Minister in advance).

(2) When a notification referred to in Article 209 was made due to the company falling under any of the grounds listed in Article 209, items (v) through (viii) (for a notification under Article 209, item (v), limited to the notification of a merger through which the foreign insurance company, etc. is dissolved, a company split through which the foreign insurance company, etc. is to have whole of its business succeeded to, or a transfer of the whole of its business), the license under Article 185, paragraph (1) granted by the Prime Minister to the foreign insurance company, etc. that made the notification loses its effect.

(3) The registration set forth in Article 272, paragraph (1) loses its effect when a small amount and short term insurer obtains the license set forth in Article 3, paragraph (1).

(Public Notice by Prime Minister)

Article 274 In the following cases, the Prime Minister is to give public notice of the fact in the Official Gazette:

- (i) the Prime Minister orders suspension of the whole or part of the business (for a foreign insurance company, etc., its business in Japan) pursuant to the

- provisions of Article 132, paragraph (1), Article 133, Article 204, paragraph (1), Article 205, Article 241, paragraph (1), or Article 272-26, paragraph (1);
- (ii) the Prime Minister has rescinded the license set forth in Article 3, paragraph (1) or Article 185, paragraph (1), or revoked the registration set forth in Article 272, paragraph (1), pursuant to the provisions of Article 133, Article 134, Article 205, Article 206, Article 272-26, paragraph (1) or Article 272-27;
- (iii) the Prime Minister has made a disposition ordering the administration of business and property by a receiver of an insurer pursuant to the provisions of Article 241, paragraph (1) or issued an order pursuant to the provisions of Article 258, paragraph (1);
- (iv) the license granted under Article 3, paragraph (1) or Article 185, paragraph (1) loses its effect pursuant to the provisions of the preceding Article;
- (v) the Prime Minister rescinds the authorization set forth in Article 271-10, paragraph (1) or the proviso to Article 271-10, paragraph (2) pursuant to the provisions of Article 271-16, paragraph (1);
- (vi) the Prime Minister rescinds the authorization set forth in Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3) pursuant to the provisions of Article 271-30, paragraph (1);
- (vii) the Prime Minister orders suspension of the whole or part of the business of the insurance companies which are subsidiary companies of an insurance holding company, pursuant to the provisions of Article 271-30, paragraph (1);
- (viii) the Prime Minister orders suspension of the whole or part of the business of an insurance company pursuant to the provisions of Article 271-30, paragraph (4); or
- (ix) the authorization set forth in Article 271-10, paragraph (1) or the proviso to Article 271-10, paragraph (2) or in Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3) loses its effect pursuant to the provisions of Article 271-33.

Part III Insurance Solicitation

Chapter I General Provisions

(Restrictions on Insurance Solicitation)

Article 275 (1) No person may solicit insurance other than the cases in which a person set forth in the following items solicits insurance prescribed in each of those items:

- (i) a life insurance agent registered under the following Article: agency or intermediation for the agents's affiliated insurance company, etc. in concluding insurance contracts (for a bank that is a life insurance agent or

- any other person specified by Cabinet Order (hereinafter referred to as "bank, etc." in this Article), or an officer or employee thereof, limited to the cases specified by Cabinet Office Order as posing little risk to the protection of policyholders, etc.);
- (ii) an officer (other than an officer with authority of representation, or an auditor, audit and supervisory committee member, or audit committee member; hereinafter the same applies in this Article and Articles 283 and 302.) or an employee of a non-life insurance company (including a foreign non-life insurance company, etc.; hereinafter the same applies in this Part), or a non-life insurance representative registered under the following Article or an officer or employee thereof: agency or intermediation for the person's affiliated insurance company, etc. in concluding insurance contracts (for a bank, etc. that is a non-life insurance representative, or an officer or employee thereof, limited to the cases specified by Cabinet Office Order as posing little risk to the protection of policyholders, etc.);
 - (iii) a specified small amount and short term insurance agent (meaning a small amount and short term insurance agent that engages in insurance solicitation only for the insurance specified in Article 3, paragraph (5), item (i) or any other insurance specified by Cabinet Office Order, and who is not a person entrusted by the small amount and short term insurer or a person re-entrusted from that person; the same applies hereinafter) or a small amount and short term insurance agent registered under the following Article: agency or intermediation for the agent's affiliated insurance company, etc. in concluding insurance contracts (for a bank, etc. that is a small amount and short term insurance agent, or an officer or employee thereof, limited to the cases specified by Cabinet Office Order as posing little risk to the protection of policyholders, etc.);
 - (iv) an insurance broker registered under Article 286, or an officer or employee thereof: intermediation in concluding insurance contracts (if the insurer is a foreign insurer other than a foreign insurance company, etc., limited to the cases specified by Cabinet Order; for a bank, etc. that is an insurance broker, or an officer or employee thereof, limited to the cases specified by Cabinet Office Order as posing little risk to the protection of policyholders, etc.), excluding intermediation for the conclusion of insurance contracts that a life insurance agent, non-life insurance agent, or small amount and short term insurance agent conducts for its affiliated insurance company, etc.
- (2) Notwithstanding the provisions of other laws, a bank, etc. may engage in insurance solicitation through obtaining registration referred to in the following Article or Article 286.
- (3) Insurance solicitation may be re-entrusted if all of the requirements listed in the following items are satisfied, and if the party making the re-entrustment

(hereinafter referred to as "insurance solicitation re-entruster" in this Article, Article 281, item (i), and Article 283) and its affiliated insurance company, etc. obtains an authorization from the Prime Minister in advance for the conclusion of a contract on entrustment which includes the provisions on the particulars relating to re-entrustment:

- (i) the insurance solicitation re-entruster is a person listed in paragraph (1), items (i) through (iii), and is an insurance company or a foreign insurance company, etc. that has a close relationship specified by Cabinet Office Order with its affiliated insurance company, etc.;
 - (ii) the person who receives the re-entrustment is a life insurance agent or non-life insurance agent of the insurance solicitation re-entruster; and
 - (iii) the insurance solicitation re-entruster has obtained a permission from its affiliated insurance company, etc. for the re-entrustment.
- (4) The application for the authorization under the preceding paragraph must be filed jointly by the insurance solicitation re-entruster and the affiliated insurance company, etc. pursuant to the provisions of Cabinet Office Order.
- (5) When the application for authorization under paragraph (3) is made, the Prime Minister must examine whether the applicant satisfies the following standards:
- (i) the re-entrustment satisfies all of the requirements listed in the items of paragraph (3); and
 - (ii) the insurance solicitation re-entruster and the affiliated insurance company, etc. have developed systems or taken other measures necessary for securing accurate, fair, and efficient implementation of the insurance solicitation pertaining to the re-entrustment.

Chapter II Insurance Agents and Affiliated Insurance Companies

Section 1 Insurance Agents

(Registration)

Article 276 A specified insurance agent (meaning a life insurance agent, non-life insurance agent, or small amount and short term insurance agent (other than a specified small amount and short term insurance agent); the same applies hereinafter) must be registered by the Prime Minister pursuant to the provisions of this Act.

(Application for Registration)

Article 277 (1) A person applying for a registration referred to in the preceding Article must submit a written application stating the following particulars to the Prime Minister:

- (i) trade name or name and date of birth;

- (ii) name and location of the office;
 - (iii) trade name and name of the affiliated insurance company, etc.;
 - (iv) if the person conducts any other business, the type of that business; and
 - (v) any other particular specified by Cabinet Office Order.
- (2) The following documents must be attached to the written application set forth in the preceding paragraph:
- (i) a document pledging that the applicant does not fall under any of provisions of Article 279, paragraph (1), items (i) through (v), item (vii), or item (viii) (excluding the part related to item (vi) of that paragraph), item (ix) (excluding the part pertaining to item (vi) of that paragraph), item (x), or item (xi);
 - (ii) if the applicant is a corporation (including an association or foundation that is not a corporation and has a designated representative person or manager; hereinafter the same applies in this Part), a document stating the names and addresses of its officers (including the representative person or manager of an association or foundation that is not a corporation; hereinafter the same applies in this Part except for Articles 283 and 302); and
 - (iii) beyond what is set forth in the preceding two items, any other document specified by Cabinet Office Order.

(Implementation of Registration)

Article 278 (1) When an application has been filed for the registration under Article 276, unless the Prime Minister denies the applicant registration pursuant to the provisions of paragraphs (1) through (3) of the following Article, the Prime Minister must immediately register the following particulars in the register of life insurance agents, the register of non-life insurance agents, or the register of small amount and short term insurance agents maintained at the location specified by Cabinet Office Order:

- (i) particulars listed in items of paragraph (1) of the preceding Article; and
 - (ii) registration date and registration number.
- (2) When the Prime Minister has made a registration under the provisions of the preceding paragraph, the Prime Minister must notify the applicant and the affiliated insurance company, etc. of this without delay.

(Denial of Registration)

Article 279 (1) The Prime Minister must deny an applicant registration if the applicant falls under any of the following items, or if the written application or a document attached thereto includes a false statement with regard to a material particular or fails to state a material fact:

- (i) a person who has become subject to an order commencing bankruptcy proceedings and has not been released from bankruptcy restrictions or a

- person receiving a similar treatment under a foreign law or regulation;
- (ii) a person who has been sentenced to imprisonment or severer punishment (including any equivalent punishment under a foreign law or regulation), and for whom three years have not elapsed since the execution of the sentence was completed or since the person ceased to be subject to the execution of the sentence;
 - (iii) a person who has been sentenced to a fine (including any equivalent punishment under a foreign law or regulation) for violating the provisions of this Act or an equivalent foreign law or regulation, and for whom three years have not elapsed since the execution of the sentence was completed or since the person ceased to be subject to the execution of the sentence;
 - (iv) a person whose registration under Article 276 was revoked pursuant to the provisions of Article 307, paragraph (1), and for whom three years have not elapsed since the date of the revocation (including, if the revocation of registration was made against a corporation, a person who had been an officer of the corporation at any time within 30 days prior to the date of the revocation and for whom three years have not elapsed since that date); or a person against whom the same type of registration under any provisions of a foreign law or regulation equivalent to this Act was revoked in the foreign state concerned (including any permission or other administrative measures similar to the registration; hereinafter referred to as "registration, etc." in this item), and for whom three years have elapsed since the date of the revocation (including, where the revocation of registration, etc. was made against a corporation, a person who had been an officer of the corporation at any time within 30 days prior to the date of the revocation, and for whom three years have not elapsed since that date);
 - (v) a person specified by Cabinet Office Order as one who is unable to properly conduct business involving insurance solicitation due to a mental or physical disorder;
 - (vi) a person who has performed an extremely inappropriate act in connection with insurance solicitation within three years prior to the date of application;
 - (vii) an insurance broker, or any of its officers or employees engaged in insurance solicitation;
 - (viii) a minor who does not have the business capacity of an adult regarding sales and whose statutory representative falls under any of the preceding items or the following item;
 - (ix) a corporation whose officers include a person falling under any of the following sub-items:
 - (a) a person specified by Cabinet Office Order as one who is unable to properly perform their duties due to a mental or physical disorder; or
 - (b) a person falling under any of the items (i) through (iv), or item (vi);

- (x) an individual whose employees engaged in insurance solicitation include a person falling under item (vii); or
 - (xi) a corporation whose officers or employees engaged in insurance solicitation include a person falling under item (vii).
- (2) If the Prime Minister seeks to deny an applicant registration pursuant to the provisions of the preceding paragraph, the Prime Minister must notify the applicant of this in advance and require the appearance of the applicant or their representative at a hearing of opinion to be held by an official designated by the Prime Minister in order to provide an opportunity to submit any evidence in support of the application.
 - (3) In the case referred to in the preceding paragraph, the Prime Minister may deny an applicant registration without hearing any opinion, if the person summoned for the hearing fails to appear without legitimate grounds.
 - (4) If the Prime Minister has denied an applicant registration pursuant to the provisions of the preceding three paragraphs, the Prime Minister must notify the applicant of this in writing without delay.

(Notification of Changes)

Article 280 (1) If a specified insurance agent has come to fall under any of the following items, the person specified in the relevant item must notify the Prime Minister of this without delay:

- (i) any of the particulars listed in the items of Article 277, paragraph (1) have changed: the specified insurance agent affected by the change;
 - (ii) the agent has discontinued its insurance solicitation business: the individual who had been the specified insurance agent or the officer representing the corporation that had been the specified insurance agent;
 - (iii) the individual that is a specified insurance agent has died: the heir;
 - (iv) the corporation that is a specified insurance agent has become the subject of order commencing bankruptcy proceedings: the bankruptcy trustee;
 - (v) the corporation that is a specified insurance agent has dissolved due to merger (for an association or foundation that is not a corporation, any action equivalent to merger; the same applies in the following item): the person who was the officer representing the corporation; or
 - (vi) the corporation that is a specified insurance agent has dissolved (for an association or foundation that is not a corporation, any action equivalent to dissolution) for a reason other than merger or an order commencing bankruptcy proceedings: its liquidator (for an association or foundation that is not a corporation, the person who was its representative person or manager).
- (2) When the Prime Minister receives the notification under the preceding paragraph for the reason specified in item (i) of that paragraph, the Prime

Minister must register the particulars notified in the register of life insurance agents, the register of non-life insurance agents, or the register of small amount and short term insurance agents, and notify the affiliated insurance company, etc. of this.

- (3) Registration of a specified insurance agent loses its effect if the agent comes to falls under any of paragraph (1), items (ii) through (vi).

(Registration and License Tax and Its Fees)

Article 281 A person seeking registration under Article 276 (including a person who files a notification under paragraph (1), item (i) of the preceding Article when the case is deemed to be a new registration pursuant to the provisions of item 37 of the Appended Table 1 of the Registration and License Tax Act (Act No. 35 of 1967)) must pay the registration and license tax pursuant to the provisions of that Act in the case of item (i), or a fee in an amount specified by Cabinet Order in consideration of the actual costs in the case of item (ii):

- (i) when filing an application for registration pursuant to the provisions of Article 277, paragraph (1) (including a notification filed under paragraph (1), item (i) of the preceding Article when the case is deemed to be a new registration pursuant to the provisions of Article 34 of the Registration and License Tax Act) submitted upon entrustment by the affiliated insurance company, etc. or re-entrustment from the insurance solicitation re-entruster (excluding any entrustment or re-entrustment for a limited time based on temporary necessity and specified as such by Cabinet Office Order); or
- (ii) when filing an application other than one falling under the application prescribed in the preceding item.

(Restriction on Life Insurance Agents)

Article 282 (1) A life insurance company (including a foreign life insurance company, etc.; hereinafter the same applies in this Part) or a person who received entrustment from the life insurance company must not entrust or re-entrust a life insurance agent of another life insurance company with insurance solicitation on its own behalf.

- (2) A life insurance agent may not serve as an officer or employee of another life insurance company, or as an employee of any such person, or may not engage in insurance solicitation under entrustment from another life insurance company or under re-entrustment from a person who received entrustment from that other life insurance company, or engage in insurance solicitation as an officer or employee of a person that engages in insurance solicitation under entrustment from another life insurance company or under re-entrustment from a person who received entrustment from that other life insurance company.

- (3) The provisions of the preceding two paragraphs do not apply to a life insurance agent that has two or more affiliated insurance companies, etc. if specified by Cabinet Order as posing little risk to the protection of policyholders, etc. in view of the person's capacity to perform business involving insurance solicitation and other circumstances.

Section 2 Affiliated Insurance Companies

(Liability of Affiliated Insurance Companies)

Article 283 (1) An affiliated insurance company, etc. is liable to compensate for any damage caused by an insurance agent to a policyholder involving insurance solicitation.

(2) The provisions of the preceding paragraph do not apply in the following cases:

(i) with regard to insurance solicitation by an insurance agent who is an officer of the affiliated insurance company, etc. (for a life insurance company, including a life insurance agent who is an employee of the officer), the affiliated insurance company, etc. has used due care in appointing the officer and has made reasonable efforts in relation to insurance solicitation by the person to prevent the damage caused to the policyholder;

(ii) with regard to insurance solicitation by an insurance agent who is an employee of the affiliated insurance company, etc. (for a life insurance company, including a life insurance agent who is an employee of the employee), the affiliated insurance company, etc. has used due care in recruiting the employee (other than an employee of a life insurance company's employee) and has made reasonable efforts in relation to insurance solicitation by the person to prevent the damage caused to the policyholder; or

(iii) with regard to insurance solicitation by a specified insurance agent upon entrustment by the affiliated insurance company, etc., or by an insurance agent who is an officer or employee thereof, the affiliated insurance company, etc. has used due care in entrusting the specified insurance agent with the insurance solicitation and has made reasonable efforts in relation to insurance solicitation by the person to prevent the damage caused to the policyholder.

(iv) with regard to insurance solicitation by a specified insurance agent based on the re-entrustment by the insurance solicitation re-entruster, or by an insurance agent who is an officer or employee thereof (hereinafter referred to as a "secondary entrusted insurance agent, etc." in this Article), the affiliated insurance company, etc. has used due care in giving permission on re-entrustment to the secondary entrusted insurance agent, etc. and has made efforts in relation to insurance solicitation by the secondary entrusted

- insurance agent, etc. to prevent the damage caused to the policyholder;
- (3) An insurance solicitation re-entruster is liable to compensate for the damage caused by a secondary entrusted insurance agent, etc. to a policyholder in relation to insurance solicitation; provided, however, that this does not apply to the case in which the insurance solicitation re-entruster has used due care in making a re-entrustment and made efforts in relation to insurance solicitation by the secondary entrusted insurance agent, etc. to prevent the damage caused to the policyholder.
- (4) The provisions of paragraph (1) do not prevent the affiliated insurance company, etc. from exercising its right to obtain reimbursement from the insurance agent concerned, and the provisions of the preceding paragraph do not prevent an insurance solicitation re-entruster from exercising its right to obtain reimbursement from its secondary entrusted insurance agent, etc.
- (5) The provisions of Article 724 of the Civil Code (Extinctive Prescription of Claim for Compensation for Loss or Damage Caused by a Tort) and Article 724-2 (Extinctive Prescription of Claim for Compensation for Loss or Damage Arising from Death to Person or Injury to Person Caused by a Tort) apply *mutatis mutandis* to any claim under paragraphs (1) and (3).

(Application for Registration through Affiliated Insurance Company as Agent)

Article 284 A specified insurance agent or a person prescribed in Article 280, paragraph (1), items (ii) through (vi) may appoint the affiliated insurance company, etc. as their agent in applying for a registration under Article 277, paragraph (1), or in filing a notification under Article 280, paragraph (1) or Article 302.

(Register of Specified Insurance Agents)

- Article 285 (1) An affiliated insurance company, etc., pursuant to the provisions of Cabinet Office Order, must keep a register of specified insurance agents acting on its behalf at its head office or principal office, or at one of its branch offices or secondary offices (for a foreign insurance company, etc., at its branch office, etc. set forth in Article 185, paragraph (1)).
- (2) An interested person may request the affiliated insurance company, etc. to provide access to the register set forth in the preceding paragraph for inspection, as required.

Chapter III Insurance Brokers

(Registration)

Article 286 An insurance broker must be registered by the Prime Minister pursuant to the provisions of this Act.

(Application for Registration)

Article 287 (1) A person applying for a registration under the preceding Article must submit a written application stating the following particulars to the Prime Minister:

- (i) trade name, name and address;
- (ii) name and location of the office;
- (iii) classes of insurance contract handled;
- (iv) if the person conducts any other business, the type of that business; and
- (v) any other particular specified by Cabinet Office Order.

(2) The following documents must be attached to the written application set forth in the preceding paragraph:

- (i) a document pledging that the applicant does not fall under any of Article 289, paragraph (1), items (i) to (v), item (vii) or (viii) (excluding the part related to to item (vi) of that paragraph), item (ix) (excluding the part pertaining to item (vi) of that paragraph) or item (x);
- (ii) ife the person is a corporation, a document stating the names and addresses of its officers; and
- (iii) beyond what is set forth in the preceding two items, any other documents specified by Cabinet Office Order.

(Implementation of Registration)

Article 288 (1) When an application has been filed for the registration under Article 286, unless the Prime Minister denies the applicant registration pursuant to the provisions of paragraphs (1) through (3) of the following Article, the Prime Minister must immediately register the following particulars in the register of insurance brokers kept at the location specified by Cabinet Office Order:

- (i) the particulars listed in items of paragraph (1) of the preceding Article; and
- (ii) the registration date and registration number.

(2) When the Prime Minister has made a registration under the provisions of the preceding paragraph, the Prime Minister must notify the applicant of this without delay.

(3) The Prime Minister must make the register of insurance brokers available for public inspection.

(Denial of Registration)

Article 289 (1) The Prime Minister must deny an applicant registration if the applicant falls under any of the following items, or if the written application or a document attached thereto includes a false statement with regard to a material particular or fails to state a material fact:

- (i) a person who has become subject to an order to commence bankruptcy proceedings and has not been released from bankruptcy restrictions or a person receiving a similar treatment under a foreign law or regulation;
- (ii) a person who has been sentenced to imprisonment or severer punishment (including any equivalent punishment under a foreign law or regulation), and for whom three years have not elapsed since the execution of the sentence was completed or since the person ceased to be subject to the execution of the sentence;
- (iii) a person who has been sentenced to a fine (including any equivalent punishment under a foreign law or regulation) for violating the provisions of this Act or of an equivalent foreign law or regulation, and for whom three years have not elapsed since the execution of the sentence was completed or since the person ceased to be subject to the execution of the sentence;
- (iv) a person whose registration under Article 286 was revoked pursuant to the provisions of Article 307, paragraph (1), and for whom three years have not elapsed since the date of the revocation (including, if the revocation of the registration was made against a corporation, a person who had been an officer of the corporation at any time within 30 days prior to the date of the revocation, for whom three years have not elapsed since that date), or a person against whom the same type of registration under the provisions of a foreign law or regulation equivalent to this Act was revoked in the foreign state concerned (including any permission or other administrative measures similar to the registration; hereinafter referred to as "registration, etc." in this item), and for whom three years have not elapsed since the date of the revocation (including, if the revocation of registration, etc. was made against a corporation, a person who had been an officer of the corporation at any time within 30 days prior to the date of the revocation, for whom three years have not elapsed since that date);
- (v) a person specified by Cabinet Office Order as one who is unable to properly conduct business involving insurance solicitation due to a mental or physical disorder;
- (vi) a person who had performed an extremely inappropriate act in connection with insurance solicitation during the three years prior to the date of application;
- (vii) an insurance company, etc. or foreign insurance company, etc., any of its officers (other than an officer who is an insurance agent), or an insurance agent (for an employee of a non-life insurance agency, limited to those engaged in insurance solicitation);
- (viii) an individual whose employees engaged in insurance solicitation include a person falling under any of the preceding items;
- (ix) a corporation that has a person falling under any of the following sub-

items:

- (a) its officers include a person falling under any of the following cases:
 - 1. a person specified by Cabinet Office Order as one who is unable to properly perform their duties due to a mental or physical disorder; or
 - 2. a person falling under any of items (i) through (iv), item (vi) or (vii);
 - (b) its employees engaged in insurance solicitation include a person falling under any of items (i) through (vii);
 - (x) a person who does not have sufficient capacity to appropriately perform business involving insurance solicitation.
- (2) If the Prime Minister seeks to deny an applicant registration pursuant to the provisions of the preceding paragraph, the Prime Minister must notify the applicant of this in advance and require the appearance of the applicant or their representative at a hearing of opinion to be held by an official designated by the Prime Minister in order to provide an opportunity to present any evidence in support of the application.
- (3) In the case referred to in the preceding paragraph, the Prime Minister may deny an applicant registration without hearing any opinion, if the person summoned for the hearing fails to appear without legitimate grounds.
- (4) If the Prime Minister has denied an applicant registration pursuant to the provisions of the preceding three paragraphs, the Prime Minister must notify the applicant of this in writing without delay.

(Notification of Changes)

Article 290 (1) If an insurance broker comes to fall under any of the following items, the person specified in the relevant item must notify the Prime Minister of this without delay:

- (i) any of the particulars listed in the items of Article 287, paragraph (1) have changed: the insurance broker affected by the change;
- (ii) it has discontinued its insurance solicitation business: the individual who was an insurance broker or the officer representing the corporation that was the insurance broker;
- (iii) the individual that was the insurance broker has died: the heir;
- (iv) the corporation that is an insurance broker has become the subject of an order commencing bankruptcy proceedings: its bankruptcy trustee;
- (v) the corporation that is an insurance broker has dissolved due to merger (for an association or foundation that is not a corporation, any action equivalent to merger; the same applies in the following item): the person who was the officer representing the corporation; or
- (vi) the corporation that is an insurance broker has dissolved (for an association or foundation that is not a corporation, any action equivalent to dissolution) for a reason other than merger or an order commencing

bankruptcy proceedings: its liquidator (for an association or foundation that is not a corporation, the person who was its representative person or manager).

- (2) When the Prime Minister receives notification under the preceding paragraph for the reason provided in item (i) of that paragraph, the Prime Minister must register the particulars notified on the register of insurance brokers.
- (3) An insurance broker's registration loses its effect if the broker comes to fall under any of paragraph (1), items (ii) through (vi).

(Security Deposit)

- Article 291 (1) An insurance broker must make a security deposit with the deposit office located nearest to its principal office.
- (2) The security deposit set forth in the preceding paragraph is to be in an amount specified by Cabinet Order in consideration of the status of the insurance broker's business and the protection of policyholders, etc.
 - (3) If an insurance broker has concluded a contract stipulating that a required amount of security deposit will be made for the insurance broker by order of the Prime Minister pursuant to the provisions of Cabinet Order and has notified the Prime Minister of this, the insurance broker may withhold in whole or in part the security deposit under paragraph (1) regarding the amount to be deposited under the relevant contract (hereinafter referred to as the "contract amount" in this Article), so long as the contract remains in effect.
 - (4) If the Prime Minister finds it necessary for the protection of policyholders, etc., the Prime Minister may order a person who has concluded with an insurance broker a contract set forth in the preceding paragraph or the insurance broker concerned to make a deposit in an amount that corresponds to the whole or part of the contract amount.
 - (5) An insurance broker may not act as an intermediary in concluding an insurance contract, unless they have made the security deposit under paragraph (1) (including the conclusion of a contract referred to in paragraph (3)) and has notified the Prime Minister of this.
 - (6) A policyholder who entrusted an insurance broker to act as an intermediary in concluding an insurance contract, the insured covered by the insurance contract or the beneficiary of the insurance contract, with regard to any credit arising out of the action as an intermediary in concluding the insurance contract, is to have a priority claim over other creditors on the security deposit made by the insurance broker.
 - (7) The necessary particular for enforcing a claim set forth in the preceding paragraph is specified by Cabinet Order.
 - (8) If the amount of a security deposit (including the contract amount; the same applies in paragraph (10)) falls below the amount specified by Cabinet Order

under paragraph (2) for reasons such as the enforcement of the claim under paragraph (6), the insurance broker must compensate for the shortfall within two weeks from the date specified by Cabinet Office Order (including the conclusion of a contract under paragraph (3)); the same applies in Article 319, item (xi)), and notify the Prime Minister of this without delay.

- (9) The security deposit to be made pursuant to the provisions of paragraph (1) or the preceding paragraph may be in the form of a national government bond, local government bond, or any other securities specified by Cabinet Office Order.
- (10) The security deposit made pursuant to the provisions of paragraph (1), (4), or (8) may be fully or partly recovered with the Prime Minister's authorization, if the security deposit falls under any of the following items:
- (i) the security deposit has come to fall under any of paragraph (1), items (ii) through (vi) of the preceding Article;
 - (ii) the registration is revoked pursuant to the provisions of Article 307, paragraph (1) or (2); or
 - (iii) the amount of security deposit has come to exceed the amount specified by Cabinet Order under paragraph (2) for reasons such as changes in business status.
- (11) In giving an authorization referred to in the preceding paragraph, the Prime Minister may designate a period for the recovery and the recoverable amount of the security deposit, within the limit that the Prime Minister finds necessary for ensuring the payment of any claim that has arisen out of action as an intermediary in concluding an insurance contract.
- (12) Beyond what is provided for in the preceding paragraphs, necessary particulars for security deposits are specified by Cabinet Office Order or Ministry of Justice Order.

(Insurance Broker Liability Insurance Contract)

- Article 292 (1) An insurance broker who has concluded an insurance broker liability insurance contract pursuant to the provisions of Cabinet Order may, with the Prime Minister's authorization, withhold in whole or in part the security deposit to be made under paragraph (1) of the preceding Article (including the conclusion of a contract under paragraph (3) of that Article; the same applies in the following paragraph) in accordance with the amount of insurance proceeds under the contract, so long as the contract remains in effect.
- (2) If the Prime Minister finds it necessary for the protection of policyholders, etc., the Prime Minister may order an insurance broker who has concluded an insurance broker liability insurance contract referred to in the preceding paragraph to make in whole or in part, that part of the security deposit under paragraph (1) of the preceding Article which may be withheld.

(3) Beyond what is provided for in the preceding two paragraphs, necessary particulars for insurance broker liability insurance contracts are specified by Cabinet Office Order.

(Application, Mutatis Mutandis, of the Commercial Code)

Article 293 The provisions of Article 543, Article 544, and Articles 546 through 550 (Brokerage Business) of the Commercial Code apply mutatis mutandis to action as an intermediary by an insurance broker in concluding an insurance contract in which the insurer is to be a mutual company (including a foreign mutual company).

Chapter IV Business

(Provision of Information)

Article 294 (1) An insurance company, etc. or a foreign insurance company, etc. or an officer thereof (other than an officer who is an insurance agent), an insurance agent, or an insurance broker or an officer or employee thereof, in relation to the following acts, must provide policyholders, etc. with information on the contents of insurance contracts and any other information that should serve as a reference for them pursuant to the provisions of Cabinet Office Order, so as to contribute to the protection of policyholders, etc.: the conclusion of an insurance contract; insurance solicitation; or an act of encouraging a customer to subscribe to an insurance contract for group insurance (meaning insurance for which a group or its representative is the policyholder and the persons who belong to that group are the insured; the same applies in the following Article, Article 294-3, paragraph (1) and Article 300, paragraph (1)) which has been concluded or solicited by the relevant company, officer, agent, broker or employee or any other act for encouraging subscription to the relevant insurance contract (including such an act for encouraging subscription carried out by a person other than the person who has engaged in the insurance solicitation for the relevant insurance contract for group insurance; and excluding such an act for encouraging subscription carried out by the policyholder of the group insurance or a person specially related, as specified by Cabinet Office Order, to that policyholder in the cases specified by Cabinet Office Order as those in which it is found that the policyholder is expected to appropriately provide necessary information to those subscribing to the relevant insurance contract for group insurance; the same applies in the following Article and Article 300, paragraph (1)); provided, however, that this does not apply to cases specified by Cabinet Office Order as posing no risk to the protection of policyholders, etc.

(2) The provisions of the preceding paragraph do not apply to the conclusion of a

specified insurance contract prescribed in Article 300-2 or any acts performed as an agent or intermediary.

- (3) An insurance agent, when seeking to engage in insurance solicitation, must clearly state the following particulars to customers in advance:
 - (i) trade name or name of the affiliated insurance company, etc.;
 - (ii) whether they are to act as an agent of the affiliated insurance company, etc. or as an intermediary in concluding an insurance contract; and
 - (iii) any other particulars specified by Cabinet Office Order.
- (4) If an insurance broker seeks to act as an intermediary in concluding an insurance contract, the insurance broker must deliver to the customer a document stating the following particulars pursuant to the provisions of Cabinet Office Order:
 - (i) trade name, name and address of the insurance broker;
 - (ii) the particulars of the insurance broker's authority;
 - (iii) the particulars of the insurance broker's compensation for damages; and
 - (iv) any other particulars specified by Cabinet Office Order.
- (5) In lieu of the delivery of a document referred to in the preceding paragraph, an insurance broker may, with the consent of the customer and pursuant to the provisions of Cabinet Order, provide the particulars that are required to be included in the document by a means using an electronic data processing system or any other means using information and communications technology specified by Cabinet Office Order. In this case, the insurance broker is deemed to have delivered the document.

(Understanding the Customer's Intention)

Article 294-2 An insurance company, etc. or a foreign insurance company, etc. or any officer thereof (other than an officer who is an insurance agent), an insurance agent, or an insurance broker or any officer or employee thereof, in relation to the conclusion of an insurance contract, insurance solicitation, or an act of encouraging a customer to subscribe to an insurance contract for group insurance which has been concluded or solicited by the relevant company, officer, agent, broker or employee or any other act for encouraging subscription to the relevant insurance contract, must gain an understanding of the customer's intention and propose the conclusion of an insurance contract, etc. (meaning the conclusion of an insurance contract or subscription to an insurance contract; hereinafter the same applies in this Article) in line with the intention, explain the content of the relevant insurance contract to the customer, and provide the customer with the opportunity to confirm that the their intention at the time of the conclusion of an insurance contract, etc. is in accord with the content of the relevant insurance contract; provided, however, that this does not apply to cases specified by Cabinet Office Order as posing no

risk to the protection of policyholders, etc.

(Measures Concerning Business Operations)

Article 294-3 (1) Unless otherwise provided for in this Act or any other laws, an insurance agent, pursuant to the provisions of Cabinet Office Order, must take measures to ensure sound and appropriate operation of the business of insurance solicitation (including the business concerning an act of encouraging subscription to an insurance contract for group insurance for which the insurance agent has engaged in insurance solicitation and any other business closely related to the business of insurance solicitation; hereinafter the same applies in this Article and Article 305, paragraphs (2) and (3)), such as the following: explanation of material particulars of the business of insurance solicitation to customers; appropriate handling of customer information acquired in relation to the business of insurance solicitation; if the insurance agent entrusts any of the business of insurance solicitation to a third party, proper execution of the entrusted business of insurance solicitation; if the insurance agent has two or more affiliated insurance companies, etc., provision of particulars of the content of an insurance contract as compared to the content of other insurance contracts with regard to the insurance underwritten by these affiliated insurance companies, etc.; if the insurance agent conducts the insurance agent guidance business (meaning the business in which an insurance agent specifies the basic particulars concerning the guidance to other insurance agents on the business of insurance solicitation (limited to those including material particulars concerning the method or conditions for the business of insurance solicitation to be carried out by the other insurance agents) and continuously provides the guidance on the business of insurance solicitation to be carried out by the other insurance agents), proper formulation of the implementation policy regarding the guidance and provision of appropriate guidance based on the implementation policy.

(2) Unless otherwise provided in this Act or any other laws, an insurance broker, pursuant to the provisions of Cabinet Office Order, must take measures to ensure the sound and appropriate operation of the business of insurance solicitation, such as explanation of material particulars of the business of insurance solicitation to customers, appropriate handling of customer information acquired in relation to the business of insurance solicitation, and proper execution of the entrusted business of insurance solicitation when the insurance broker entrusts any of the business of insurance solicitation to a third party.

(Prohibition of Self-Contract)

Article 295 (1) A non-life insurance agency or insurance broker must not make it

their primary business purpose to engage in insurance solicitation for insurance contracts in which they themselves or their employer is the policyholder or the insured (for an insurance broker, limited to those contracts specified by Cabinet Office Order; referred to as "self-contracts" in the following paragraph).

- (2) For the purpose of applying the provisions of the preceding paragraph, a non-life insurance agency or insurance broker is deemed to have made it their primary business purpose to engage in insurance solicitation for self-contracts, when the total amount of insurance premiums for the self-contracts solicited by the non-life insurance agency or insurance broker, as calculated pursuant to the provisions of Cabinet Office Order, exceeds 50 percent of the total amount of insurance premiums for all contracts solicited by the non-life insurance agency or insurance broker, as calculated pursuant to the provisions of Cabinet Office Order.

Article 296 Deleted

(Information to Be Disclosed by Insurance Brokers)

Article 297 An insurance broker, upon request of a customer, must disclose the amount of commission, reward, or any other consideration that they receive for acting as an intermediary in concluding an insurance contract, or any other particular specified by Cabinet Office Order.

(Particulars for Entry in a Closing Document)

Article 298 For the purpose of applying the provisions of Article 546, paragraph (1) of the Commercial Code (Obligation to Deliver Closing Document) (including as applied mutatis mutandis pursuant to Article 293) to an insurance broker, the term "its outline" in item (ii) of that paragraph is deemed to be replaced with "the particulars specified by Cabinet Office Order".

(Insurance Broker's Duty of Good Faith)

Article 299 An insurance broker must act in good faith for the benefit of the customer in acting as an intermediary for the conclusion of an insurance contract upon the entrustment from the customer.

(Obligation to Conclude a Contract with a Designated Dispute Resolution Organization for Insurance Solicitation by Insurance Brokers)

Article 299-2 (1) An insurance broker must take the measures specified in the following items in accordance with the category of cases set forth in the respective items:

- (i) if there is a designated dispute resolution organization for insurance

- solicitation by insurance brokers (meaning a designated dispute resolution organization for which the category of business of dispute resolution, etc. is insurance solicitation by insurance brokers; hereinafter the same applies in this Article): measures to conclude a basic contract for implementation of dispute resolution procedures for insurance solicitation by insurance brokers with a single designated dispute resolution organization for insurance solicitation by insurance brokers;
- (ii) if there is no designated dispute resolution organization for insurance solicitation by insurance brokers: complaint processing measures and dispute resolution measures concerning insurance solicitation by insurance brokers.
- (2) When an insurance broker has taken measures to conclude a basic contract for implementation of dispute resolution procedures pursuant to the provisions of the preceding paragraph, the insurance broker must make public the trade name or name of the designated dispute resolution organization for insurance solicitation by insurance brokers that is the other party to the relevant basic contract for implementation of dispute resolution procedures.
- (3) The provisions of paragraph (1) do not apply to the periods specified in the following items in accordance with the category of cases set forth in each item:
- (i) when the case which had fallen under the cases set forth in paragraph (1), item (i), has come to fall under the cases set forth in item (ii) of that paragraph: the period specified by the Prime Minister at the time of granting authorization for discontinuation of business of dispute resolution, etc. under Article 308-23, paragraph (1) or rescinding the designation under Article 308-24, paragraph (1), as the period necessary to take the measures specified in that item;
 - (ii) when the case had fallen under the cases set forth in paragraph (1), item (i), and the discontinuation of business of dispute resolution, etc. of a single designated dispute resolution organization for insurance solicitation by insurance brokers under that item has been authorized under Article 308-23, paragraph (1) or the designation under Article 308-2, paragraph (1) of a single designated dispute resolution organization for insurance solicitation by insurance brokers under that item has been rescinded pursuant to Article 308-24, paragraph (1) (excluding the case set forth in the preceding item): the period specified by the Prime Minister at the time of granting the authorization or making the rescission, as the period necessary for taking the measures specified in paragraph (1), item (i); and
 - (iii) when the case which had fallen under the cases set forth in paragraph (1), item (ii) has come to fall under the cases set forth in item (i) of that paragraph: the period specified by the Prime Minister at the time of designation under Article 308-2, paragraph (1), as the period necessary to take the measures specified in that item.

(Prohibited Acts in Concluding Insurance Contracts)

Article 300 (1) An insurance company, etc. or a foreign insurance company, etc., any officer thereof (other than an officer who is an insurance agent), an insurance agent, or an insurance broker or any officer or employee thereof must not perform any of the following acts in relation to the conclusion of an insurance contract, insurance solicitation or an act of urging a customer to subscribe to an insurance contract for group insurance which has been concluded or solicited by the relevant company, officer, agent, broker or employee or any other act for encouraging subscription to the relevant insurance contract (limited to the act listed in item (i) (limited to an act against the insured), in the case of an act of urging a customer to subscribe to an insurance contract for group insurance which has been concluded or solicited by the relevant company, officer, agent, broker or employee or any other act for encouraging subscription to the relevant insurance contract, and excluding a non-disclosure of important matters contained in the provisions of an insurance contract prescribed in that item which would affect the determination of the policyholder or the insured and also excluding the act listed in item (ix), in case of conclusion of a specified insurance contract prescribed in the following Article or agency or intermediary therefor); provided, however, that this does not apply to a non-disclosure of material particulars contained in the provisions of an insurance contract prescribed in item (i) which would affect the determination of the policyholder or the insured, in the cases specified by Cabinet Office Order as posing no risk to the protection of policyholders, etc. prescribed in the provisions to Article 294, paragraph (1):

- (i) informing the policyholder or the insured a false information, or failing to disclose to them a material particular stipulated in the insurance contract that affects the determination of the policyholder or the insured;
- (ii) encouraging the policyholder or the insured to give false information about a material particular to an insurance company, etc. or a foreign insurance company, etc.;
- (iii) preventing or discouraging the policyholder or the insured from informing an insurance company, etc. or a foreign insurance company, etc. of a material fact;
- (iv) inducing the policyholder or the insured to apply for a new insurance contract without informing them of any fact that would work to their disadvantage in the termination of an already effected insurance contract, or terminating an already established insurance contract by inducing the policyholder or the insured to apply for a new contract;
- (v) promising to offer, or offering, to the policyholder or the insured a discount

- or rebate on insurance premiums, or any other special advantage;
 - (vi) informing or indicating to the policyholder or the insured, or any other unspecified person a misleading information regarding the content of an insurance contract in comparison with other contracts;
 - (vii) making a conclusive statement, or telling or indicating a misleading information to the policyholder, the insured, or an unspecified person so that they may believe that a certain amount of money will be obtained in the future as a dividend to policyholders, dividend of surplus to members, or any other benefit whose amount is specified as uncertain by Cabinet Office Order;
 - (viii) inducing the policyholder or the insured to offer an insurance contract, knowing that the specified related party of the insurance company, etc. or foreign insurance company, etc. (meaning a specified related party as set forth in Article 100-3 (including as applied mutatis mutandis pursuant to Article 272-13, paragraph (2); the same applies in Article 301) or a specially related party as set forth in Article 194, other than an insurance holding company or small amount and short term insurance holding company whose subsidiary companies include the insurance company, etc. or foreign insurance company, etc. (hereinafter referred to as "insurance holding company, etc." in this Article and Article 301-2), a subsidiary company of the insurance holding company, etc. (other than an insurance company, etc. or a foreign insurance company, etc.), or a person conducting insurance business) has promised to offer, or offered, a special advantage to the policyholder or the insured;
 - (ix) beyond what is set forth in the preceding items, any other acts specified by Cabinet Office Order as posing risk to the protection of policyholders, etc.
- (2) The provisions of the preceding paragraph, item (v) do not apply if an insurance company, etc. or a foreign insurance company, etc. makes the offer based on a document listed in any of the items of Article 4, paragraph (2), the items of Article 187, paragraph (3) or the items of Article 272-2, paragraph (2).

(Application, Mutatis Mutandis, of the Financial Instruments and Exchange Act)

Article 300-2 The provisions of Chapter III, Section 1, Subsection 5 (excluding Article 34-2, paragraphs (6) through (8) (Cases If a Professional Investor Is Deemed to Be a Customer Other than a Professional Investor) and Article 34-3, paragraphs (5) and (6) (Cases If a Corporation That Is a Customer Other than a Professional Investor Is Deemed to Be a Professional Investor) (Professional Investors) and Article 45 (excluding items (iii) and (iv)) (Miscellaneous Provisions) of the Financial Instruments and Exchange Act apply mutatis mutandis to the conclusion of a specified insurance contract (meaning an

insurance contract specified by Cabinet Office Order as entailing the risk of loss due to any changes in interest rates, currency values, financial instruments market prices as set forth in Article 2, paragraph (14) of that Act or any other indicator (meaning the risk that the total amount of insurance premiums to be paid by the customer following the conclusion of the insurance contract may exceed the total insurance proceeds, reimbursements and other benefits to be paid out to the customer following the conclusion of the contract); hereinafter the same applies in this Article) effected by an insurance company, etc. or a foreign insurance company, etc., or a contract stipulating any specific action as an intermediary for the benefit of a customer in concluding a specified insurance contract; the provisions of Section 2, Subsection 1 of the same Chapter (excluding Articles 35 through 36-4 (Scope of Business for Persons Who Engage in Type 1 Financial Instruments Transaction Business or Investment Management Business, Scope of Subsidiary Businesses of Persons Who Only Engage in Type II Financial Instruments Business or Investment Advisory and Agency Business, Establishment of an Operational Control System, Duty of Good Faith to Customers, Posting of Signs, Prohibition of Lending One's Name and Prohibition of Administration of Company Bonds), Article 37, paragraph (1), item (ii) (Regulation of Advertising, etc.), Article 37-2 (Obligation to Clarify Conditions of Transactions in Advance), Article 37-3, paragraph (1), items (ii) and (vi), Article 37-3, paragraph (3) (Delivery of Document Prior to Conclusion of Contract), Article 37-5 to Articles 37-7 (Delivery of Document Pertaining to Receipt of Security Deposit; Cancellation by a Written Statement; and Obligation to Execute Contract with Designated Dispute Resolution Organization), Article 38, items (i), (ii), (vii), and (viii) and Article 38-2 (Prohibited Acts), the proviso to Article 39, paragraph (3), Article 39, paragraphs (4), (6), and (7) (Prohibition of Loss Compensation, etc.), Article 40-2 through Article 40-7 (Best Execution Policy; Prohibition of Purchase and Sale If Separate Management Is Not Ensured; Prohibition of Public Offering If Money Has Been Diverted; Restrictions on the Sale and Purchase of Securities for Professional Investors; Obligation to Notify in Connection with Securities for Professional Investors; Prohibition of Trading Against; Obligation to Use Electronic Data Processing System Concerning Over-the-Counter Transactions of Derivatives, etc. (General Provisions)) apply mutatis mutandis to the conclusion of a specified insurance contract by an insurance company, etc., foreign insurance company, etc., insurance agent or insurance broker and related actions as an agent or intermediary. In this case, the terms "financial instruments transaction contract" and "financial instruments transaction business" in those provisions are deemed to be replaced with "specified insurance contract, etc.", and "the conclusion of a specified insurance contract, or any related action as an agent or intermediary", respectively; in Article 34 of

that Act, the term "the act of executing a financial instruments transaction (meaning actions listed in the items of Article 2, paragraph (8); the same applies hereinafter) with a customer as the other party or on behalf of a customer" is deemed to be replaced with "effecting a specified insurance contract (meaning a specified insurance contract provided in Article 300-2 of the Insurance Business Act; the same applies hereinafter) or acting as an intermediary for the benefit of a customer in concluding a specified insurance contract"; in Article 37, paragraph (2) of that Act, the term "the act of executing a financial instruments transaction" is deemed to be replaced with "the conclusion of specified insurance contracts"; in Article 37-3, paragraph (1) of that Act, the phrase "when it seeks to conclude a contract for a financial instruments transaction" and "it must deliver a document stating the following particulars to the customer in advance, pursuant to the provisions of Cabinet Office Order" are deemed to be replaced with "when it seeks to conclude a contract for a financial instruments transaction or actions as an agent or intermediary in concluding a specified insurance contract" and "it must deliver a document stating the following particulars to the customer in advance pursuant to the provisions of Cabinet Office Order, and provide with information on the contents of the relevant specified insurance contract and any other information that should serve as a reference for policyholders, etc. pursuant to the provisions of Cabinet Office Order so as to contribute to the protection of policyholders, etc. (meaning policyholders, etc. prescribed in Article 5, paragraph (1), item (iii), (a) of the Insurance Business Act; hereinafter the same applies in this paragraph)", respectively; in Article 37-3, paragraph (1), item (i) of that Act, the term "financial instruments transaction business operators, etc." is deemed to be replaced with "insurance company, etc. (meaning an insurance company, etc. as defined in Article 2-2, paragraph (1) of the Insurance Business Act), foreign insurance company, etc. (meaning a foreign insurance company, etc. as defined in Article 2, paragraph (7) of that Act) or insurance broker (meaning an insurance broker as defined in paragraph (25) of the same Article) concluding a specified insurance contract, etc."; in Article 37-3, paragraph (1), item (v) of that Act, the term "financial instruments transaction business conducted" is deemed to be replaced with "specified insurance contract concluded"; in Article 38 of that Act, the term "employee" is deemed to be replaced with "employee (excluding an Insurance Agent (meaning an Insurance Agent as defined in Article 2, paragraph (23) of the Insurance Business Act); the same applies in Article 39, paragraph (3))"; in Article 39, paragraph (1), item (i) of that Act, the phrase "purchase and sale or any other transaction of Securities (excluding a purchase and sale on condition of repurchase for which the repurchase price is set in advance and other transactions specified by Cabinet Order) or of derivative transactions

(hereinafter referred to as a 'purchase and sale or other transaction of securities, etc.' in this Article)" is deemed to be replaced with "the conclusion of a specified insurance contract"; the term "securities or derivative transactions (hereinafter referred to as 'securities, etc.' in this Article)" with "specified insurance contract", the term "customer (in the case if a trust company, etc. (meaning a trust company or financial institution that has obtained authorization under Article 1, paragraph (1) of the Act on the Provision of Trust Business by Financial Institutions; the same applies hereinafter) conducts the purchase and sale of securities or derivative transactions on the account of the person who has established a trust under a trust contract, including the relevant person who established the trust; hereinafter the same applies in this Article)" with "the customer", the term "loss" with "loss (meaning, where the total amount of insurance premiums to be paid by the customer following the conclusion of the specified insurance contract exceeds the total insurance proceeds, reimbursements and other benefits to be paid out to the customer following the conclusion of the contract, the total amount of premium payment less the total insurance proceeds, reimbursements and other benefits; hereinafter the same applies in this Article)", and the term "to supplement" with "to supplement, outside the stipulations of the specified insurance contract"; in Article 39, paragraph (1), item (ii) of that Act, the term "the purchase and sale or other transaction of securities, etc." is deemed to be replaced with "the conclusion of a specified insurance contract", the term "securities, etc." with "specified insurance contract", the term "to add to" with "to add to, outside the stipulations of the specified insurance contract"; in Article 39, paragraph (1), item (iii), the term "the purchase and sale or other transaction of securities, etc." is deemed to be replaced with "the conclusion of a specified insurance contract", the term "securities, etc." with "specified insurance contract"; in Article 39, paragraph (2) of that Act, the term "the purchase and sale or other transaction of securities, etc." is deemed to be replaced with "the conclusion of a specified insurance contract"; in Article 39, paragraph (3) of that Act, the phrase "determined by Cabinet Office Order as a potential cause" is deemed to be replaced with "a potential cause"; in Article 40, item (i) of that Act, the term "financial instruments transaction business" with "the conclusion of a specified insurance contract, etc."; in Article 45, item (ii) of that Act, the term "Articles 37-2 to 37-6, Article 40-2, paragraph (4) and Article 43-4" is deemed to be replaced with "Articles 37-3 (as far as any of the particulars listed in the items of Article 37-3, paragraph (1) is concerned, excluding Article 37-3, paragraph (1), items (ii) and (vi) and Article 37-3, paragraph (3)) and Article 37-4"; and any other necessary technical replacement of terms is specified by Cabinet Order.

Article 301 An insurance company, etc. or a foreign insurance company, etc. must not perform the following acts or conduct the following transactions in relation to the conclusion of an insurance contract by a specified related party (meaning a specified related party as defined in Article 100-3 (limited to a person conducting insurance business) or, in the case of a foreign insurance company, etc., a specially related party prescribed in Article 194 (limited to a person conducting insurance business); hereinafter the same applies in this Article) or any insurance solicitation involving the specified related party:

- (i) promising to offer, or offering, any special advantage to the policyholder or the insured in an insurance contract in which the specified related party is the insurer; or
- (ii) an act performed or a transaction conducted with the specified related party, or with the policyholder or the insured in an insurance contract in which the specified related party is the insurer, provided that the act or transaction is equivalent to that set forth in the preceding item and is specified by Cabinet Office Order as posing a risk of harming the fairness of insurance solicitation.

Article 301-2 An insurance holding company, etc. and any subsidiary company thereof (other than an insurance company, etc. or a foreign insurance company, etc.) may not perform the following acts or conduct the following transactions in connection with the conclusion of an insurance contract by an insurance company, etc. or a foreign insurance company, etc. that is a subsidiary company of the insurance holding company, etc., or in connection with insurance solicitation for the insurance company, etc. or foreign insurance company, etc.:

- (i) promising to offer, or offering, any special advantage to the policyholder or the insured in an insurance contract in which the insurance company, etc. or foreign insurance company, etc. is the insurer; or
- (ii) an act performed or a transaction conducted with the policyholder or the insured in an insurance contract in which the insurance company, etc. or foreign insurance company, etc. is the insurer, provided that the act or transaction is equivalent to that set forth in the preceding item and is specified by Cabinet Office Order as posing a risk of harming the fairness of insurance solicitation.

Chapter V Supervision

(Notification of Directors and Employees)

Article 302 A non-life insurance agency, small amount and short term insurance agent or insurance broker, when it seeks to appoint any of its officers or employees to be engaged in insurance solicitation (limited to a specified small

amount and short term insurance agent for an officer or employee of a small amount and short term insurance agent), must notify the Prime Minister of the person's name and date of birth. The same applies to changes in a particular with regard to which notification has been given, the discontinuance of insurance solicitation by any of the officers or employees covered by the notification, and the death of those persons.

(Keeping of Books and Documents)

Article 303 A specified insurance agent (limited to a large-sized agent specified by Cabinet Office Order; in case of a life insurance agent, limited to a person entrusted from a life insurance company or a person who received re-entrustment from the relevant person, or in case of a small amount and short term insurance agent, limited to a person entrusted from a small amount and short term insurer a person who received re-entrustment from the relevant person; the same applies in the following Article) or an insurance broker, pursuant to the provisions of Cabinet Office Order, must prepare and keep at each of its offices books and documents on its business, and state the dates of insurance contracts and any other particulars specified by Cabinet Office Order for each policyholder in them.

(Submission of Business Reports)

Article 304 A specified insurance agent or an insurance broker, pursuant to the provisions of Cabinet Office Order, must prepare a business report for each business year and submit it to the Prime Minister within three months from the end of the previous business year.

(On-Site Inspection)

Article 305 (1) The Prime Minister, within the limit necessary for the enforcement of this Act, may order a specified insurance agent or insurance broker to submit any report or data that should serve as a reference on its business or property, or have relevant officials enter an office of the specified insurance agent or insurance broker to inspect the state of its business or property or books, documents, and any other articles, or ask questions to the relevant persons.

(2) The Prime Minister, to the extent particularly necessary for the enforcement of this Act, may order a person who conducts transactions with a specified insurance agent or an insurance broker in relation to insurance solicitation business or a person who received entrustment of business from the specified insurance agent or insurance broker (including persons entrusted from the relevant person (including entrustment at two or more degrees of separation from the original entrustment)); hereinafter the same applies in this paragraph

and the following paragraph) to submit a report or document that should serve as a reference in relation to the business or property of the specified insurance agent or insurance broker, or have the officials enter a facility of a person who received entrustment of business from the relevant specified insurance agent or insurance broker, ask questions to the relevant person who received entrustment of business from the relevant specified insurance agent or insurance broker on necessary particulars in relation to inquiry or inspection of the specified insurance agent or insurance broker, or inspect its books, documents, and any other articles.

- (3) A person who conducts transactions with a specified insurance agent or an insurance broker in relation to insurance solicitation business or a person who received entrustment of business from the relevant specified insurance agent or insurance broker may refuse to submit a report or document or to refuse the inquiry and inspection under the provisions of the preceding paragraph if there are legitimate grounds for doing so.

(Business Improvement Order)

Article 306 When the Prime Minister, with regard to the business of a specified insurance agent or insurance broker, finds a fact that harms the interest of policyholders, etc., the Prime Minister may order, within the limit necessary for the protection of policyholders, etc., the specified insurance agent or insurance broker to take necessary measures to improve its business operations.

(Revocation of Registration)

Article 307 (1) The Prime Minister may revoke the registration under Article 276 or 286, or order total or partial suspension of its business for a period not exceeding six months if a specified insurance agent or an insurance broker falls under any of the following items:

- (i) the specified insurance agent falls under any of Article 279, paragraph (1), items (i) to (iii), item (iv) (limited to the part related to any provisions of a foreign law or regulation equivalent to this Act), item (v), item (vii), item (viii) (excluding the part related to Article 279, paragraph (1), item (vi)), item (ix) (excluding the the part related to Article 279, paragraph (1), item (vi)), item (x) or item (xi), or the insurance broker falls under any of Article 289, paragraph (1), items (i) to (iii), item (iv) (limited to the part involving any provisions of a foreign law or regulation equivalent to this Act), item (v), item (vii), item (viii) (excluding the part pertaining to Article 279, paragraph (1), item (vi)), item (ix) (excluding the part related to Article 279, paragraph (1), item (vi)), or item (x);
- (ii) the registration under Article 276 or 286 was obtained by wrongful means;

or

- (iii) the specified insurance agent or insurance broker violates any provisions of this Act or a disposition by the Prime Minister based on this Act, or is found to have performed other extremely inappropriate acts in connection with insurance solicitation.
- (2) if the Prime Minister cannot ascertain the location of the office of a specified insurance agent or insurance broker, or the if the whereabouts of a specified insurance agent or insurance broker (in the case of a corporation, the whereabouts of the director who represents the corporation), the Prime Minister may issue a public notice of that fact and revoke the registration of the specified insurance agent or insurance broker if they do not report their whereabouts within 30 days from the date of the public notice, pursuant to the provisions of Cabinet Office Order.
- (3) The provisions of Chapter III of the Administrative Procedure Act (Adverse Dispositions) do not apply to a disposition under the preceding paragraph.

(Deregistration)

Article 308 (1) The Prime Minister must deregister a specified insurance agent or insurance broker in the following cases:

- (i) the Prime Minister, pursuant to the provisions of paragraph (1) or (2) of the preceding Article, has revoked a registration under Article 276 or 286; or
 - (ii) a registration under Article 276 has lost its effect pursuant to the provisions of Article 280, paragraph (3), or a registration under Article 286 has lost its effect pursuant to the provisions of Article 290, paragraph (3).
- (2) If the Prime Minister has revoked the registration of a specified insurance agent pursuant to the provisions of the preceding paragraph, the Prime Minister must notify the specified insurance agent's affiliated insurance company, etc. of this. In this case, the affiliated insurance company, etc. must delete the statements on the specified insurance agent from the register prescribed in Article 285, paragraph (1).

Part IV Designated Dispute Resolution Organizations

Chapter I General Provisions

(Designation of a Person that Conducts Business of Dispute Resolution)

Article 308-2 (1) The Prime Minister may designate a person satisfying the following requirements as the person to conduct business of dispute resolution, etc., upon that person's application:

- (i) the person is a corporation (including an association or foundation without judicial personality for which a representative person or administrator has been designated, and excluding a corporation established under laws and

- regulations of a foreign state and other foreign organizations; the same applies in item (iv), (d));
- (ii) the person is not a person who has had the designation under this paragraph rescinded pursuant to Article 308-24, paragraph (1) and for whom five years have not passed since the date of rescission, nor is the relevant person a person who has had the designation under the provisions of other Acts specified by Cabinet Order as pertaining to business equivalent to business of dispute resolution, etc. rescinded and for whom five years have not passed since the date of rescission;
 - (iii) the person is not a person who has been sentenced to a fine (including a punishment under laws and regulations of a foreign state equivalent to the fine) for violating the provisions of this Act or the Attorney Act (Act No. 205 of 1949) or laws and regulations of a foreign state equivalent thereto and for whom five years have not passed since the day when the execution of the sentence was completed or the person ceased to be subject to the execution of the sentence;
 - (iv) that the person has no officers falling under any of the following categories of persons:
 - (a) a person specified by Cabinet Office Order as being unable to properly perform their duties related to business of dispute resolution due to a mental or physical disorder;
 - (b) a person who has become subject to an order commencing bankruptcy proceedings and has not been released from bankruptcy restrictions, or a person who is treated in the same manner under laws and regulations of a foreign state;
 - (c) a person who has been sentenced to imprisonment without work or a severer punishment (including punishment under laws and regulations of a foreign state equivalent to the punishment) and for whom five years have not passed since the day when the execution of the sentence was completed or the person ceased to be subject to the execution of the sentence;
 - (d) if the designation under this paragraph has been rescinded under the provisions of Article 308-24, paragraph (1) or an administrative disposition similar to the designation in a foreign state pursuant to the provisions of laws and regulations of the foreign state which are equivalent to this Act has been rescinded, a person who was an officer (including persons treated in the same manner under laws and regulations of a foreign state; the same applies in (d)) of the corporation within one month prior to the date of rescission and for whom five years have not passed since the date of rescission, or if the designation under the provisions of other laws specified by Cabinet Order as pertaining to business equivalent to business of dispute resolution, etc. or an administrative disposition similar to the

- designation in a foreign state as specified by Cabinet Order under the provisions of laws and regulations of the foreign state which are equivalent to the other laws has been rescinded, a person who was an officer of the corporation within one month prior to the date of rescission and for whom five years have not passed from the date of rescission; or
- (e) a person who has been sentenced to a fine (including punishment under laws and regulations of a foreign state equivalent to the fine) for violating the provisions of this Act, the Attorney Act, or laws and regulations of a foreign state equivalent thereto and for whom five years have not passed since the day when the execution of the sentence was completed or the person ceased to be subject to the execution of the sentence;
 - (v) that the person has a sufficient financial and technical basis to properly implement business of dispute resolution, etc.;
 - (vi) that the composition of the officers or employees has no risk of causing hindrance to the fair implementation of business of dispute resolution, etc.;
 - (vii) that the rules concerning the implementation of business of dispute resolution, etc. (hereinafter referred to as the "operational rules") conform to laws and regulations and are found sufficient for the fair and appropriate implementation of business of dispute resolution, etc. pursuant to the provisions of this Act; and
 - (viii) that, as a result of hearing the opinions pursuant to the provisions of the following paragraph, the proportion of the number of insurance-related businesses who have raised their objections to the particulars of the cancellation of the basic contract for implementation of dispute resolution procedures, other contents of the basic contract for implementation of dispute resolution procedures (excluding the particulars listed in the items of Article 308-7, paragraph (2)), and other contents of the operational rules (excluding the particulars which are to be the content thereof as provided by paragraph (3) of that Article and the particulars that are necessary for conforming to the standards listed in the items of paragraph (4) of that Article and paragraph (5), item (i) of that Article) (limited to objections to which reasonable grounds are attached) to the total number of insurance-related businesses has become less than the proportion specified by Cabinet Order.
- (2) A person who seeks to file an application under the preceding paragraph, in advance and pursuant to the provisions of Cabinet Office Order, must explain the content of the operational rules to the insurance-related business operators and hear their opinions as to whether they have any objections to the content (if there are objections, including the reasons) and prepare a document stating the results.
- (3) When the Prime Minister seeks to make the designation under paragraph (1), the Prime Minister must consult the Minister of Justice in advance with regard

to the fact that the relevant person satisfies the requirements listed in items (v) through (vii) of that paragraph (limited to the part pertaining to the operation of dispute resolution procedures, and with regard to the requirements set forth in item (vii), limited to the requirement pertaining to the standards listed in the items of Article 308-7, paragraph (4) and the items of paragraph (5) of that Article).

- (4) The designation under paragraph (1) is made for each category of business of dispute resolution, etc. and the proportion under item (viii) of that paragraph is calculated for each category of business of dispute resolution, etc.
- (5) When the Prime Minister has made the designation under paragraph (1), the Prime Minister must give public notice of the trade name or name and the location of the principal business office or office of the designated dispute resolution organization, the category of business of dispute resolution, etc. related to the relevant designation, as well as the day on which the Prime Minister made the designation in the Official Gazette.

(Application for Designation)

Article 308-3 (1) A person who seeks to obtain the designation set forth in paragraph (1) of the preceding Article must submit a written application for designation stating the following particulars to the Prime Minister:

- (i) the category of business of dispute resolution, etc. for which the person seeks to obtain designation;
 - (ii) the trade name or name;
 - (iii) the name and location of the principal business office or office or any other business offices or offices for conducting business of dispute resolution, etc.;
 - and
 - (iv) the names or trade names of the officers.
- (2) The following documents must be attached to the written application for designation referred to in the preceding paragraph:
- (i) a document pledging that the person satisfies the requirements set forth in paragraph (1), items (iii) and (iv) of the preceding Article;
 - (ii) the articles of incorporation and the corporation's certificate of registered information (including documents equivalent to them);
 - (iii) the operational rules;
 - (iv) documents stating the particulars of the organization;
 - (v) an inventory of assets, a balance sheet, and any other documents clarifying that the person has the necessary financial basis for conducting business of dispute resolution, etc. which are specified by Cabinet Office Order;
 - (vi) the documents prescribed in paragraph (2) of the preceding Article and any other documents specified by Cabinet Office Order as those that prove that the person satisfies the requirements set forth in paragraph (1), item (viii) of

- that Article; and
- (vii) beyond what is set forth in the preceding items, documents specified by Cabinet Office Order.
- (3) In the case referred to in the preceding paragraph, when the articles of incorporation, inventory of assets, or balance sheet has been prepared in the form of an electronic or magnetic record, the electronic or magnetic record may be attached in lieu of the written documents.

(Obligation of Confidentiality)

- Article 308-4 (1) A dispute resolution mediator (meaning the dispute resolution mediator appointed under Article 308-13, paragraph (2); the same applies in the following paragraph, paragraph (2) of the following Article and Article 308-7, paragraphs (2) and (4)) or an officer or employee of the designated dispute resolution organization, or a person who was formerly in those positions must not disclose to another person or use for their own interest, any confidential information learned during the course of business of dispute resolution, etc.
- (2) With regard to the application of the Penal Code and other penal provisions, a dispute resolution mediator or an officer or employee of the designated dispute resolution organization who is engaged in business of dispute resolution, etc. are deemed to be officials engaged in public service under laws and regulations.

Chapter II Business

(Business of a Designated Dispute Resolution Organization)

- Article 308-5 (1) A designated dispute resolution organization performs business of dispute resolution, etc. pursuant to the provisions of this Act and the operational rules.
- (2) A designated dispute resolution organization (including the dispute resolution mediators) may receive contributions, fees, or other remuneration for performing the business of dispute resolution, etc. pursuant to the basic contract for implementation of dispute resolution procedures or other contracts concluded with the member insurance-related business operator (meaning the insurance-related business operator with whom a basic contract for implementation of dispute resolution procedures have been concluded; hereinafter the same applies in this Part) who is the party or with their customer (including the policyholder, etc. other than a customer; hereinafter the same applies in this Part) or with persons other than these persons.

(Entrustment of Operation of Complaint Processing Procedures or Dispute Resolution Procedures)

- Article 308-6 A designated dispute resolution organization may not entrust the

operation of complaint processing procedures or dispute resolution procedures to persons other than other designated dispute resolution organizations or a person who has obtained the designation under the provisions of other laws specified by Cabinet Order as related to business equivalent to the business of dispute resolution, etc. (referred to as the "entrusted dispute resolution organization" in Article 308-13, paragraphs (4) and (5)).

(Operational Rules)

Article 308-7 (1) A designated dispute resolution organization must set forth operational rules concerning the following particulars:

- (i) the particulars of the content of the basic contract for implementation of dispute resolution procedures;
 - (ii) the particulars concerning the conclusion of a basic contract for implementation of dispute resolution procedures;
 - (iii) the particulars concerning the implementation of business of dispute resolution, etc.;
 - (iv) the particulars of the contribution to be borne by the member insurance-related business operators with regard to the cost required for the business of dispute resolution, etc.;
 - (v) when collecting fees for the implementation of business of dispute resolution, etc. from the member insurance-related business operator who is the party or from their customer (hereinafter simply referred to as the "party" in this Part), the particulars of those fees;
 - (vi) the particulars concerning coordination with other designated dispute resolution organizations, national organs, local governments, private enterprises, or any other persons that conduct consultations, process complaints or implement dispute resolution;
 - (vii) the particulars of complaint processing regarding business of dispute resolution, etc.; and
 - (viii) beyond what is set forth in the preceding items, particulars specified by Cabinet Office Order as those necessary for the implementation of business of dispute resolution, etc.
- (2) The basic contract for implementation of dispute resolution procedures referred to in item (i) of the preceding paragraph must provide the following particulars:
- (i) that a designated dispute resolution organization is to commence complaint processing procedures or dispute resolution procedures based on the application for the resolution of complaints related to insurance business, etc. from the customer of the member insurance-related business operators or on application for dispute resolution procedures by the party;
 - (ii) that a designated dispute resolution organization or a dispute resolution

- mediator, when complaint processing procedures have commenced, or when dispute resolution procedures based on an application by the customer of the member insurance-related business operator have commenced, request that the member insurance-related business respond to these procedures, and if there is such a request, the relevant member insurance-related business operator may not refuse the request without legitimate grounds;
- (iii) that a designated dispute resolution organization or dispute resolution mediator may request the member insurance-related business operator to make reports or submit books, documents, and any other articles in the course of complaint processing procedures or dispute resolution procedures, and that the member insurance-related business operator may not refuse the request without legitimate grounds;
- (iv) that a dispute resolution mediator may prepare a settlement proposal necessary for the resolution of disputes related to insurance business, etc. in the course of dispute resolution procedures and recommend that the party accept the proposal;
- (v) in the dispute resolution procedures, if there is no prospect of reaching a settlement between the parties to the dispute through the recommendation to accept the settlement proposal under the preceding item, if the dispute resolution mediator finds it reasonable in view of the nature of the case, intention of the parties, the status of implementation of procedures by the parties, or any other circumstances, the mediator may prepare a special conciliation proposal necessary for the resolution of a dispute related to insurance business, etc. and present it to the parties with the reasons attached;
- (vi) that, if dispute resolution procedures are commenced for claims with litigation pending, a member insurance-related business operator must report the fact that the litigation is pending, the grounds for the claims in the relevant litigation, and the progress of the relevant litigation to the designated dispute resolution organization;
- (vii) that, if litigation involving the claims subject to the dispute resolution procedures is filed, a member insurance-related business operator must report the fact that the relevant litigation has been filed and the grounds for the claims in the litigation to the designated dispute resolution organization;
- (viii) that, beyond what is provided for in the preceding two items, if a member insurance-related business operator has been requested to make reports on the progress of litigation involving the claims subject to dispute resolution procedures or any other particulars, the business operator must report the particulars to the designated dispute resolution organization;
- (ix) that, if the litigation referred to in item (vi) or (vii) comes to no longer be pending in court, or if the court decision in the litigation has become final

- and binding, the member insurance-related business operator must report this to the designated dispute resolution organization and give the details thereof;
- (x) that a member insurance-related business operator must provide necessary information or take other measures necessary for informing the implementation of business of dispute resolution, etc. by a designated dispute resolution organization to its customer; and
 - (xi) beyond what is set forth in the preceding items, particulars specified by Cabinet Office Order as those necessary for promoting the processing of complaints related to insurance business, etc. or the resolution of disputes related to insurance business, etc.
- (3) The operational rules concerning particulars involved in the conclusion of a basic contract for implementation of dispute resolution procedures under paragraph (1), item (ii) must provide that, if a designated dispute resolution organization has received an application for the conclusion of a basic contract for implementation of dispute resolution procedures from a member insurance-related business operator, except if it is expected to be uncertain whether the member insurance-related business operator will perform the obligations under the basic contract for implementation of dispute resolution procedures or any other obligations regarding the implementation of business of dispute resolution, etc., the designated dispute resolution organization must not refuse such application.
- (4) The operational rules concerning the particulars listed in paragraph (1), item (iii) must conform to the following standards:
- (i) measures have been taken to ensure cooperation between complaint processing procedures and dispute resolution procedures;
 - (ii) a method has been established for appointing the dispute resolution mediator and, if the dispute resolution mediator has an interest with the party to the dispute related to insurance business, etc. or if there are other grounds that are likely to hinder the fair implementation of dispute resolution procedures, the method has been established for excluding such a dispute resolution mediator;
 - (iii) with regard to a designated dispute resolution organization that is to carry out the operations of dispute resolution procedures with regard to disputes related to insurance business, etc. of which a party is the substantial controller, etc. (meaning a person specified by Cabinet Office Order as one who substantially controls business of the designated dispute resolution organization or who has a material influence on business thereof through the holding of the shares of the designated dispute resolution organization, financing to the designated dispute resolution organization or other grounds) of the designated dispute resolution organization or the subsidiary company,

- etc. (meaning a person specified by Cabinet Office Order as one whose business is substantially controlled by the designated dispute resolution organization through the holding of shares and other grounds) of the designated dispute resolution organization, measures have been taken for preventing the substantial controller, etc., subsidiary company, etc., or designated dispute resolution organization to exercise undue influence on the dispute resolution mediator;
- (iv) if the dispute resolution mediator is not an attorney-at-law (excluding cases where, with regard to the dispute resolution procedures carried out for a dispute set forth in Article 3, paragraph (1), item (vii) (Business) of the Judicial Scrivener Act (Act No. 197 of 1950), the dispute resolution mediator is a judicial scrivener as set forth in paragraph (2) of that Article) and expert knowledge on the interpretation and application of laws and regulations is required for the implementation of dispute resolution procedures, measures have been taken to receive the advice of an attorney-at-law;
 - (v) an appropriate means has been established for the notice to be given in implementing the dispute resolution procedures;
 - (vi) a standard operation process has been established from the commencement to the end of dispute resolution procedures;
 - (vii) the requirements and methods have been established for filing an application with the designated dispute resolution organization for the resolution of a complaint related to insurance business, etc. by the customer of a member insurance-related business or for filing an application for dispute resolution procedures with the designated dispute resolution organization by a party to the dispute related to insurance business, etc.;
 - (viii) the designated dispute resolution organization has established procedures for promptly notifying a customer of the member insurance-related business operator that is to be the other party to a dispute related to insurance business, etc. of an application that the organization has received for dispute resolution procedures from the member insurance-related business operator, and to confirm with the customer whether they will request the implementation of dispute resolution procedures in response to this;
 - (ix) the designated dispute resolution organization has established procedures for promptly notifying a member insurance-related business operator that is to be the other party to the dispute related to insurance business, etc. of any application that the organization has received for dispute resolution procedures under item (vii) from the customer of the member insurance-related business operator;
 - (x) a method has been established for preserving, returning, and other handling of books, documents, and any other articles which have been submitted in the course of dispute resolution procedures;

- (xi) a method has been established for handling the confidential information of the parties to the dispute related to insurance business, etc. or of a third party, which is to be included in opinions to be entered or the books, documents, and any other articles to be submitted or presented in the course of dispute resolution procedures, in accordance with the nature of the confidential information; the same applies to the confidential information stated in the dispute resolution procedure record referred to in Article 308-13, paragraph (9);
 - (xii) the requirements and methods have been established for the parties to a dispute related to insurance business, etc. to end the dispute resolution procedures;
 - (xiii) it is prescribed that the dispute resolution mediator is to promptly end dispute resolution procedures and notify the parties to the dispute related to insurance business, etc. if the dispute resolution mediator judges that there is no prospect of reaching a settlement between the parties to a dispute related to insurance business, etc.; and
 - (xiv) measures have been established to have the dispute resolution mediator or an officer or employee of the designated dispute resolution organization securely retain the confidential information learned in the course of business of dispute resolution, etc.
- (5) The operational rules concerning the particulars listed in paragraph (1), items (iv) and (v) must conform to the following standards:
- (i) the amount of the contribution set forth in paragraph (1), item (iv) and the amount of the fees referred to in item (v) of that paragraph, or the calculation and payment methods for them (referred to as the "amount of contribution, etc." in the following item) have been established; and
 - (ii) the amount of contribution, etc. is not extremely inappropriate.
- (6) The term "special conciliation proposal" as used in paragraph (2), item (v) means, except for the following cases, a settlement proposal that the member insurance-related business operator must accept:
- (i) if the customer of the member insurance-related business operator who is the party (hereinafter simply referred to as the "customer" in this paragraph) does not accept the settlement proposal;
 - (ii) if, at the time of the settlement proposal, litigation had not been filed involving a claim which had become the subject matter of the dispute resolution procedures, but is filed in connection with that claim by the day on which one month has elapsed from the day when the member insurance-related business operator came to know that the customer had accepted the settlement proposal, and the litigation is not withdrawn by that day;
 - (iii) if, at the time of the settlement proposal, litigation had been filed involving a claim which had become the subject matter of the dispute

resolution procedures, and the litigation has not been withdrawn by the day on which one month has elapsed from the day when the member insurance-related business operator came to know that the customer had accepted the settlement proposal; or

(iv) with regard to a dispute related to insurance business, etc. for which dispute resolution procedures have been implemented, if an arbitration agreement as defined in Article 2, paragraph (1) (Definitions) of the Arbitration Act (Act No. 138 of 2003) has been entered into or a settlement or conciliation not through the relevant settlement proposal has been reached between the parties by the day on which one month has elapsed from the day when the member insurance-related business operator came to know that the customer had accepted the settlement proposal.

(7) Changes to the operational rules do not come into effect without the authorization of the Prime Minister.

(8) When the Prime Minister seeks to grant the authorization under the preceding paragraph, the Prime Minister must consult the Minister of Justice in advance as to whether the operational rules subject to the relevant authorization conform to the standards set forth in the items of paragraph (4) and the items of paragraph (5) (limited to the part involving the operation of dispute resolution procedures).

(Publication of the Fact of Non-Performance of the Basic Contract for Implementation of Dispute Resolution Procedures)

Article 308-8 (1) If non-performance of the obligations to be incurred by a member insurance-related business operator under a basic contract for implementation of dispute resolution procedures arises, when a designated dispute resolution organization has heard opinions from the member insurance-related business operator and finds there are no legitimate grounds for the non-performance, the designated dispute resolution organization must make public and report to the Prime Minister, the trade name or name of the member insurance-related business operator and the fact of the non-performance, without delay.

(2) A designated dispute resolution organization must endeavor to provide information, consultation or any other support to a member insurance-related business operator or any other person to preemptively prevent complaints related to insurance business, etc. and disputes related to insurance business, etc., or to promote the processing of complaints related to insurance business, etc. and the resolution of disputes related to insurance business, etc.

(Prohibition of Use of Organized Crime Group Members)

Article 308-9 A designated dispute resolution organization must not have an

organized crime group member, etc. (meaning the organized crime group member, etc. as defined in Article 2, item (vi) (Definitions) of the Act on Prevention of Unjust Acts by Organized Crime Group Member (hereinafter referred to as the "organized crime group member" in this Article) or a person for whom five years have not passed from the day on which the person ceased to be an organized crime group member) engage in business of dispute resolution, etc. or use them as an assistant in the business of dispute resolution.

(Prohibition of Discriminatory Treatment)

Article 308-10 A designated dispute resolution organization must not treat any particular member insurance-related business operator in an unjust discriminatory manner.

(Preservation of Records)

Article 308-11 A designated dispute resolution organization, except for those under the provisions of Article 308-13, paragraph (9) and pursuant to the provisions of Cabinet Office Order, must prepare and preserve records concerning business of dispute resolution, etc.

(Complaint Processing Procedures by a Designated Dispute Resolution Organization)

Article 308-12 When a customer of a member insurance-related business operator files an application for resolution of a complaint related to insurance business, etc., a designated dispute resolution organization must respond to requests for consultation, provide necessary advice to the customer, investigate the circumstances pertaining to the complaint related to insurance business, etc., notify the member insurance-related business member of the content of the complaint related to insurance business, etc., and demand that the member insurance-related business operator process the complaint expeditiously.

(Dispute Resolution Procedures by a Designated Dispute Resolution Organization)

Article 308-13 (1) The parties to the dispute related to insurance business, etc. may file an application for dispute resolution procedures with the designated dispute resolution organization with whom the member insurance-related business operator has concluded a basic contract for implementation of dispute resolution procedures for the purpose of resolving disputes related to insurance business, etc. related to the member insurance-related business operator.

(2) When a designated dispute resolution organization has received the application under the preceding paragraph, it is to appoint dispute resolution

mediators.

- (3) Dispute resolution mediators are to be appointed from among persons who are of the highest moral character and who fall under any of the following items (excluding persons who have an interest with the parties pertaining to the application under paragraph (1)). In this case, at least one of the dispute resolution mediators must be a person who falls under item (i) or (iii) (if the application is one that related to a dispute provided in Article 3, paragraph (1), item (vii) (Business) of the Judicial Scrivener Act, item (i), (iii) or (iv)):
- (i) an attorney-at-law who has been engaged in their profession for five years or more in total;
 - (ii) a person who has been engaged in insurance business, etc. for ten years or more in total;
 - (iii) a person who has specialized knowledge and experience on consultation for the complaints which have occurred between the consumer and the business operators with regard to consumer affairs or on any other particular of consumer affairs as provided by Cabinet Office Order;
 - (iv) if the application is one that is related to the dispute prescribed in Article 3, paragraph (1), item (vii) of the Judicial Scrivener Act, a judicial scrivener as prescribed in paragraph (2) of that Article who has been engaged in business involving legal representation in summary court, etc. specified in that paragraph for five years or more in total; or
 - (v) persons specified by Cabinet Office Order as those equivalent to the persons set forth in the preceding items.
- (4) A designated dispute resolution organization is to have the application under paragraph (1) proceed into dispute resolution procedures through the dispute resolution mediator appointed under paragraph (2) (hereinafter simply referred to as the "dispute resolution mediator" in this Article and paragraph (1) of the following Article); provided, however, that if the dispute resolution mediator finds that it is not appropriate to carry out dispute resolution procedures on finding that the customer of the member insurance-related business operator who is a party to the relevant application has sufficient ability to properly resolve the dispute related to insurance business, etc. or due to any other grounds, or on finding that the parties have filed the application under paragraph (1) for improper purposes and without reason, they are not to implement dispute resolution procedures, and when the dispute resolution mediator finds it appropriate to have the application proceed into procedures equivalent to dispute resolution procedures to be conducted by an entrusted dispute resolution organization, the designated dispute resolution organization is to entrust the operations of dispute resolution procedures to an entrusted dispute resolution organization.
- (5) If a dispute resolution mediator has decided not to implement dispute

resolution procedures pursuant to the proviso to the preceding paragraph, or has decided to entrust the operations to an entrusted dispute resolution organization, the designated dispute resolution organization is to notify the person who filed the application under paragraph (1) of this, with the reasons attached.

- (6) A dispute resolution mediator may hear opinions of the parties or witnesses, request them to submit written reports, or request the parties to submit books, documents, and any other articles that should serve as a reference, and may prepare a settlement plan necessary for the resolution of the case and recommend the parties to accept the relevant plan, or provide a special conciliation (meaning to present the special conciliation proposal prescribed in Article 308-7, paragraph (6));
- (7) Dispute resolution procedures are not to be opened to the public; provided, however, that a dispute resolution mediator may allow the attendance of a person who is considered appropriate with the consent of the parties.
- (8) A designated dispute resolution organization, prior to the commencement of dispute resolution procedures and pursuant to the provisions of Cabinet Office Order, must deliver a document stating the following particulars or provide the electronic or magnetic record in which the particulars are recorded and give an explanation to the customer of the member insurance-related business operator who is a party to the dispute:
 - (i) the particulars of the fees to be paid by the customer;
 - (ii) the standard operation process from the commencement to the termination of dispute resolution procedures provided in Article 308-7, paragraph (4), item (vi); and
 - (iii) beyond what is set forth in the preceding two items, particulars specified by Cabinet Office Order.
- (9) A designated dispute resolution organization, pursuant to the provisions of Cabinet Office Order, must prepare and preserve a dispute resolution procedure record stating the following particulars, for the dispute resolution procedures it has implemented:
 - (i) the date on which the parties to the dispute related to insurance business, etc. filed the application for dispute resolution procedures;
 - (ii) the name or trade name of the parties to the dispute related to insurance business, etc. and their agents;
 - (iii) the names of the dispute resolution mediators;
 - (iv) the particulars of the dispute resolution procedures;
 - (v) the results of the dispute resolution procedures (including the reasons for the termination of the dispute resolution procedures and the date procedures were terminated); and
 - (vi) beyond what is set forth in the preceding items, necessary particulars for

clarifying the content of the implemented dispute resolution procedures which are specified by Cabinet Office Order.

(Postponement of Completion of Prescription)

Article 308-14 (1) If the dispute resolution mediators terminate the dispute resolution procedures on the grounds that there is no prospect of reaching a settlement between the parties to the dispute related to insurance business, etc. through the dispute resolution procedures, when the party to the dispute related to insurance business, etc. that filed the application for the dispute resolution procedures files an action for the claims which were the subject matter of the dispute resolution procedures within one month from the day on which they received the notice of the termination, with regard to the postponement of completion of prescription, it is deemed that the action was filed at the time when the claim was made through the dispute resolution procedures.

(2) The provisions of the preceding paragraph also apply if the discontinuation of business of dispute resolution, etc. by a designated dispute resolution organization has been authorized under Article 308-23, paragraph (1) or the designation under Article 308-2, paragraph (1) has been rescinded under Article 308-24, paragraph (1) and there is a dispute related to insurance business, etc. for which dispute resolution procedures have been implemented as of the day of authorization or rescission, when the party to the dispute related to insurance business, etc. that filed the application for the dispute resolution procedures files an action for the claims which were the subject matter of the dispute resolution procedures within one month from the day on which the party received the notice under Article 308-23, paragraph (3) or Article 308-24, paragraph (3) or the day on which the party came to know of the authorization or rescission, whichever comes earlier.

(Suspension of Court Proceedings)

Article 308-15 (1) If litigation is pending between the parties to a dispute related to insurance business, etc., with regard to the dispute related to insurance business, etc., when there are any of the following grounds and the parties to the dispute related to insurance business, etc. have filed a joint petition, the court in charge of the case may decide to suspend court proceedings for a fixed period of no longer than four months:

- (i) that, with regard to the relevant dispute related to insurance business, etc., dispute resolution procedures have been implemented between the parties to the dispute related to insurance business, etc.; and
- (ii) that, in addition to the case referred to in the preceding item, an agreement to achieve a resolution of the relevant dispute related to insurance business,

etc. through dispute resolution procedures has been reached between the parties to the dispute related to insurance business, etc.

- (2) The court in charge of the case may rescind the decision under the preceding paragraph at any time.
- (3) No appeal may be entered against a decision dismissing the application under paragraph (1) or a decision rescinding the decision under paragraph (1).

(Public Inspection of the Register of Member Insurance-Related Business Operators)

Article 308-16 A designated dispute resolution organization must make the register of the member insurance-related business operators available for public inspection.

(Restriction on Use of Name)

Article 308-17 A person who is not a designated dispute resolution organization (excluding persons who have been designated under Article 156-39, paragraph (1) (Designation of Person to Conduct Business of Dispute Resolution) of the Financial Instruments and Exchange Act and any other persons specified by Cabinet Order as those similar thereto) must not use any letters in its name or trade name that may cause misunderstanding that the person is a designated dispute resolution organization.

Chapter III Supervision

(Notification of Changes)

- Article 308-18 (1) If there has been any change in the particulars listed in Article 308-3, paragraph (1), items (ii) through (iv), a designated dispute resolution organization must notify the Prime Minister of this.
- (2) If the Prime Minister has received notice of a change to the trade name or name of a designated dispute resolution organization or to the location of the principal business office or office thereof, the Prime Minister must give public notice of this in the Official Gazette.

(Notification of the Conclusion of a Basic Contract for Implementation of Dispute Resolution Procedures)

Article 308-19 If a designated dispute resolution organization falls under any of the following items, it must notify the Prime Minister of this pursuant to the provisions of Cabinet Office Order:

- (i) it has concluded a basic contract for implementation of dispute resolution procedures with an insurance-related business or has terminated the basic contract for implementation of dispute resolution procedures; and

(ii) beyond what is set forth in the preceding item, cases specified by Cabinet Office Order.

(Submission of Report on Business)

Article 308-20 (1) A designated dispute resolution organization, for each business year, must prepare a report on the business of dispute resolution, etc. pertaining to the relevant business year and submit it to the Prime Minister.

(2) The particulars for entry, the submission date, and any other necessary particulars for the report under the preceding paragraph are specified by Cabinet Office Order.

(Information Gathering and On-Site Inspection)

Article 308-21 (1) When the Prime Minister finds it necessary for the fair and appropriate execution of business of dispute resolution, etc., the Prime Minister may order a designated dispute resolution organization to make reports or submit materials concerning its business, or have relevant officials enter the business office or office or any other facilities of the designated dispute resolution organization to ask questions about the status of business of the designated dispute resolution organization or inspect its books, documents, and any other articles.

(2) If and to the extent that the Prime Minister finds it particularly necessary for the fair and appropriate execution of business of dispute resolution, etc., the Prime Minister may order a member insurance-related business operator of the designated dispute resolution organization or a person the designated dispute resolution organization has entrusted with its business, to make reports or submit materials that should serve as a reference of the business of designated dispute resolution organization, or may have relevant officials enter the business office or office or any other facilities of these persons, inquire about the status of business of the designated dispute resolution organization, or inspect books, documents, and any other articles of these persons.

(Business Improvement Order)

Article 308-22 (1) If and to the extent that the Prime Minister finds it necessary for ensuring the fair and appropriate execution of business of dispute resolution, etc. with regard to the designated dispute resolution organization's operation of the business of dispute resolution, etc., the Prime Minister may order necessary measures for improving the business operation of the designated dispute resolution organization.

(2) If a designated dispute resolution organization falls under any of the following items, when the Prime Minister seeks to give the order under the preceding paragraph, the Prime Minister must consult with the Minister of

Justice in advance:

- (i) cases in which the designated dispute resolution organization has come to no longer satisfy the requirements set forth in Article 308-2, paragraph (1), items (v) through (vii) (limited to the part pertaining to the operations of dispute resolution procedures, the requirement set forth in item (vii) of that paragraph is one pertaining to the standards listed in the items of Article 308-7, paragraph (4) or the items of paragraph (5) of that Article; hereinafter the same applies in this item) or in which the designated dispute resolution organization is found likely to come to no longer satisfy the requirements set forth in Article 308-2, paragraph (1), items (v) through (vii); or
- (ii) cases in which the designated dispute resolution organization has violated the provisions of Article 308-5, Article 308-6, Article 308-9, or Article 308-13 (limited to cases in which the violation is one that is related to the business of dispute resolution procedures).

(Suspension or Discontinuation of Business of Dispute Resolution)

Article 308-23 (1) When a designated dispute resolution organization seeks to suspend (excluding the suspension on the grounds prescribed in the following paragraph) or discontinue all or part of the business of dispute resolution, etc., it must obtain authorization from the Prime Minister.

(2) If a designated dispute resolution organization has suspended all or part of its business of dispute resolution, etc. due to a natural disaster or any other inevitable grounds, it must immediately notify the Prime Minister of this, with the reasons attached. The same applies if the designated dispute resolution organization recommences all or part of its suspended business of dispute resolution, etc.

(3) A designated dispute resolution organization that has obtained the authorization for suspension or discontinuation under paragraph (1) or that has implemented the suspension under the preceding paragraph must notify the parties for which complaint processing procedures or dispute resolution procedures have been implemented on the day of the suspension or discontinuation (if another designated dispute resolution organization or a person with the designation under other laws specified by Cabinet Order as involving business equivalent to business of dispute resolution, etc.

(hereinafter referred to as the "entrusting dispute resolution organization" in this paragraph), has entrusted the designated dispute resolution organization with its business, this includes procedures for processing complaints of the entrusting dispute resolution organization in connection with the entrustment or procedures for dispute resolution; the same applies in paragraph (4) of the following Article), the member insurance-related business operators other than the relevant parties, and other designated dispute resolution organizations, of

the fact of the suspension or discontinuation within two weeks from the day of the suspension or discontinuation. The same applies when the designated dispute resolution organization recommences all or part of the suspended business of dispute resolution, etc.

(Rescission of Designation)

Article 308-24 (1) When a designated dispute resolution organization falls under any of the following items, the Prime Minister may rescind the designation under Article 308-2, paragraph (1) or order the suspension of all or part of its business by specifying a period not exceeding six months:

- (i) when the designated dispute resolution organization has come to no longer satisfy the requirements listed in Article 308-2, paragraph (1), items (ii) through (vii), or the designated dispute resolution organization is found to have not fallen under any of the items of that paragraph at the time it received the designation;
- (ii) when the designated dispute resolution organization has received the designation under Article 308-2, paragraph (1) by wrongful means; or
- (iii) when the designated dispute resolution organization has violated laws and regulations or a disposition under laws and regulations.

(2) If a designated dispute resolution organization falls under any of the following items, when the Prime Minister seeks to make a disposition or issue an order under the preceding paragraph, the Prime Minister must consult with the Minister of Justice in advance:

- (i) cases in which the designated dispute resolution organization has come to no longer satisfy the requirements listed in Article 308-2, paragraph (1), items (v) through (vii) (limited to the part pertaining to the operations of dispute resolution procedures, the requirement set forth in item (vii) of that paragraph is limited to one related to the standards listed in the items of Article 308-7, paragraph (4) or the items of paragraph (5) of that Article; hereinafter the same applies in this item), or the designated dispute resolution organization is found not to have satisfied the requirements set forth in Article 308-2, paragraph (1), items (v) through (vii) at the time it received the designation under Article 308-2, paragraph (1); or
- (ii) cases in which the designated dispute resolution organization has violated the provisions of Article 308-5, Article 308-6, Article 308-9, or Article 308-13 (limited to cases in which the violation is one that is related to the operation of dispute resolution procedures).

(3) If the Prime Minister has rescinded a designation under Article 308-2, paragraph (1) pursuant to the provisions of paragraph (1), the Prime Minister is to give public notice of this in the Official Gazette.

(4) A person who has received a disposition of rescission of the designation under

Article 308-2, paragraph (1) or an order for suspension of all or part of its business pursuant to the provisions of paragraph (1), within two weeks from the day of the relevant disposition or order, the person must notify the parties for which complaint processing procedures or dispute resolution procedures had been implemented, a member insurance-related business operator other than the parties, and other designated dispute resolution organizations to the effect that they have been rendered the disposition or order.

Part V Miscellaneous Provisions

(Revocation of an Offer for an Insurance Contract)

Article 309 (1) Any person that has made an offer for an insurance contract to an insurance company, etc. or a foreign insurance company, etc., or any of the policyholders of such company (hereinafter referred to as "offeror, etc." in this Article) may revoke or cancel the offer in writing (hereinafter referred to as "revocation of an offer, etc." in this Article), excluding the following cases:

- (i) if a document stating the particulars for the revocation of an offer, etc. for an insurance contract has been issued to the offeror, etc. pursuant to the provisions of Cabinet Office Order, and eight days have elapsed counting from the issue date of the document or the date of the offer, whichever is later;
- (ii) if the offeror, etc. made the offer to conclude the insurance contract for the purpose of, or on behalf of, its operation or business;
- (iii) if the offer was made by a general incorporated association or general incorporated foundation, a corporation incorporated under a special law, a non-incorporated association or foundation with a designated representative or administrator, or the national government or a local government;
- (iv) if the insurance contract has an insurance period of one year or less;
- (v) if the offeror, etc. is obligated by law to take out the insurance contract; or
- (vi) the offeror, etc. has offered the insurance contract at a business office or any other office or facility of an insurance company, etc., a foreign insurance company, etc., specified insurance agent, insurance broker, or other places, and the situation falls under any of the cases specified by Cabinet Order as posing no risk to the protection of the offeror, etc.

(2) In the case referred to in item (i) of the preceding paragraph, an insurance company, etc. or a foreign insurance company, etc. may, in lieu of issuing of the document set forth in that item, provide the person with the particulars that are required to be stated in the document by a means using an electronic data processing system or any other method using information and communication technology to be specified by Cabinet Office Order, pursuant to the provisions of Cabinet Order and with the approval of the applicant, etc. In this case, the

insurance company, etc. or foreign insurance company, etc. is deemed to have issued that document.

- (3) If the means set forth in the first sentence of the preceding paragraph (other than the means specified by Cabinet Office Order) is used in lieu of issuing the document set forth in paragraph (1), item (i), the particulars that are required to be stated in that document is deemed to have arrived with the offeror, etc. when they have been recorded on a file stored in the computer used by the offeror, etc.
- (4) The revocation of an offer, etc. for an insurance contract is to take effect when the document on the revocation of the offer, etc. is issued.
- (5) If a revocation of an offer, etc. for an insurance contract has been made, the insurance company, etc. or foreign insurance company, etc. may not demand from the offeror, etc. payment for any damages, penalties or other money for the revocation of the offer, etc.; provided, however, that this does not apply, in the case of revocation of an insurance contract under paragraph (1), to the amount of money specified by Cabinet Office Order as equivalent to the insurance premium for the period leading to the date of the revocation.
- (6) If a revocation of an offer, etc. for an insurance contract has been made, the insurance company, etc. or foreign insurance company, etc. must promptly refund to the offeror, etc. any money received in connection with the insurance contract; provided, however, that this does not apply, in the case of revocation of an insurance contract under paragraph (1), to that part of the money received as prepayment of the insurance premium pertaining to the insurance contract which corresponds to the amount set forth in the preceding paragraph specified by Cabinet Office Order.
- (7) If a revocation of an offer, etc. for an insurance contract has been made, the specified insurance agent or any other person engaged in insurance solicitation must promptly refund to the offeror, etc. any money received in connection with the insurance contract.
- (8) An insurance broker or any other person engaged in insurance solicitation that has paid to an insurance company, etc. or a foreign insurance company, etc. any compensation for damage or other money for the revocation of an offer, etc. for an insurance contract may not, in connection with the payment, demand from the person who made the revocation of the offer, etc. payment of any compensation for damage or other money.
- (9) The revocation of an offer, etc. for an insurance contract is not to take effect if any grounds that gives rise to payment of an insurance proceeds has arisen by the time of the revocation of the offer, etc.; provided, however, that this does not apply if the person who made the revocation of the offer, etc. knew that grounds giving rise to payment of insurance proceeds had arisen by the time of the revocation of the offer, etc.

(10) A special contract that violates any of the provisions of paragraph (1) and paragraphs (4) through (9) is to be null and void if it is disadvantageous to the offeror, etc.

(Conditions for Authorization)

Article 310 (1) The Prime Minister, or the Prime Minister and the Minister of Finance, may impose conditions on any authorization, permission or approval (referred to as "authorization, etc." in the following paragraph and Article 312) prescribed in this Act or change those conditions.

(2) The conditions set forth in the preceding paragraph, in view of the purpose of the authorization, etc., must be the minimum necessary conditions for ensuring reliable implementation of the particulars of the authorization, etc.

(Carrying and Showing of Identification Card by Inspection Officials)

Article 311 (1) The official who makes an entry, asks questions or conducts inspection pursuant to the provisions of Article 122-2, paragraph (4), Article 129 (including as applied mutatis mutandis pursuant to Article 179, paragraph (2) and Article 271, paragraph (3)), Article 201 (including as applied mutatis mutandis pursuant to Article 212, paragraph (6) and Article 271, paragraph (3)), Article 227 (including as applied mutatis mutandis pursuant to Article 235, paragraph (5) and Article 271, paragraph (3)), Article 265-46, Article 271-9, Article 271-13 (including as applied mutatis mutandis pursuant to Article 272-34, paragraph (1)), Article 271-28 (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (2)), Article 272-23 (including as applied mutatis mutandis pursuant to Article 179, paragraph (2) and Article 271, paragraph (3)), Article 305 or Article 308-21 must carry their identification cards with them and show it on the request of relevant persons.

(2) The authority to make an entry, ask questions or conduct inspection prescribed in the preceding paragraph must not be construed as given for any criminal investigation.

(Consultation with the Minister of Finance)

Article 311-2 (1) If the Prime Minister finds that reaching any of the following dispositions with regard to an insurance company, etc., a foreign insurance company, etc. or a licensed specified corporation could have a serious impact on the maintenance of the credibility of insurance business, the Prime Minister must consult in advance with the Minister of Finance on the necessary measures for maintaining the credibility of insurance business:

(i) an order for total or partial suspension of business pursuant to the provisions of Article 132, paragraph (1), Article 133, Article 204, paragraph (1), Article 205, Article 230, paragraph (1), Article 231, Article 241,

- paragraph (1), Article 271-30, paragraph (1) or (4) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (2)), or Article 272-26, paragraph (1);
- (ii) an order for suspension of business pursuant to the provisions of Article 240-3;
 - (iii) rescission of the license set forth in Article 3, paragraph (1), Article 185, paragraph (1) or Article 219, paragraph (1), or revocation of the registration set forth in Article 272, paragraph (1) pursuant to the provisions of Article 133, Article 134, Article 205, Article 206, Article 231, Article 232, Article 272-26, paragraph (1) or Article 272-27; or
 - (iv) a disposition ordering the administration of business and property by a receiver of an insurer pursuant to the provisions of Article 241, paragraph (1).
- (2) If the Prime Minister finds that when a Corporation conducts any of the business listed in the following items pursuant to the disposition the Prime Minister seeks to make set forth in each item, the condition of the funds available to the Corporation would extremely deteriorate, thus posing the risk of a serious impact on the maintenance of the credibility of the insurance business, the Prime Minister must consult in advance with the Minister of Finance on the necessary measures for maintaining the credibility of the insurance business in advance:
- (i) the authorization set forth in Article 268, paragraph (1), Article 270, paragraph (1), Article 270-3-12, paragraph (1) or Article 270-6-3, paragraph (1), or the supplementary note set forth in Article 269, paragraph (1), Article 270-3-13, paragraph (3) or Article 270-6-4, paragraph (3): the financial assistance set forth in Article 265-28, paragraph (1), item (iii) for transfer, etc. of insurance contracts (meaning the transfer, etc. of insurance contracts set forth in Article 260, paragraph (1)), succession of insurance contracts (meaning the succession of insurance contracts set forth in Article 260, paragraph (7)), succession of insurance contracts taken over (meaning the succession of insurance contracts taken over set forth in Article 260, paragraph (8)) or retransfer of insurance contracts (meaning the retransfer of insurance contracts set forth in paragraph (11) of that Article); or
 - (ii) the authorization set forth in Article 270, paragraph (1): the underwriting of insurance contracts set forth in Article 265-28, paragraph (1), item (v).

(Notice to the Minister of Finance)

Article 311-3 (1) If the Prime Minister has reached any of the following dispositions, the Prime Minister is to promptly notify the Minister of Finance of this:

- (i) the license set forth in Article 3, paragraph (1), Article 185, paragraph (1) or Article 219, paragraph (1), or the registration set forth in Article 272,

- paragraph (1);
- (ii) the authorization or approval set forth in Article 106, paragraph (7) (limited to the cases where the applicant seeks to make a subsidiary company out of an insurance company that falls under the category of bankrupt insurance company prescribed in Article 260, paragraph (2) or any other insurance company specified by Cabinet Office Order and Order of the Ministry of Finance), Article 139, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-29), Article 142 (including as applied mutatis mutandis pursuant to Article 272-30, paragraph (1)), Article 153, paragraph (1), Article 167, paragraph (1), Article 208, Article 233, Article 271-10, paragraph (1), the proviso to Article 271-10, paragraph (2), Article 271-18, paragraph (1), the proviso to Article 271-18, paragraph (3), Article 271-31, paragraphs (1) through (3), Article 272-31, paragraph (1), the proviso to Article 272-31, paragraph (2), Article 272-35, paragraph (1) or the proviso to Article 272-35, paragraph (3);
- (iii) issue of an order (including any request for the submission of an improvement plan) set forth in Article 132, paragraph (1), Article 133, Article 204, paragraph (1), Article 205, Article 230, paragraph (1), Article 231, Article 240-3, Article 241, paragraph (1), Article 247, paragraph (5), Article 258, paragraph (1), Article 271-6, Article 271-7, Article 271-10, paragraph (4), Article 271-14 (including as applied mutatis mutandis pursuant to Article 272-34, paragraph (1)), Article 271-15, Article 271-16, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-34, paragraph (1)), Article 271-18, paragraph (5), Article 271-29, paragraph (1) or paragraph (3), or Article 271-30, paragraph (1) or (4) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (2)), Article 272-25, paragraph (1), Article 272-26, paragraph (1) or (2), Article 272-31, paragraph (4), or Article 272-35, paragraph (5);
- (iv) rescission of the license set forth in Article 3, paragraph (1), Article 185, paragraph (1) or Article 219, paragraph (1) pursuant to the provisions of Article 133, Article 134, Article 205, Article 206, Article 231 or Article 232, or revocation of the registration set forth in Article 272, paragraph (1) pursuant to the provisions of Article 272-26, paragraph (1) or Article 272-27;
- (v) rescission of the authorization set forth in Article 271-10, paragraph (1) or the proviso to Article 271-10, paragraph (2) pursuant to the provisions of Article 271-16, paragraph (1), rescission of the authorization set forth in Article 271-18, paragraph (1) or the proviso to Article 271-18, paragraph (3) pursuant to the provisions of Article 271-30, paragraph (1), rescission of the approval set forth in Article 272-31, paragraph (1) or the proviso to Article 272-31, paragraph (2) pursuant to the provisions of Article 271-16, paragraph (1) as applied mutatis mutandis pursuant to Article 272-34, paragraph (1), or

- rescission of the approval set forth in Article 272-35, paragraph (1) or the proviso to Article 272-35, paragraph (3) pursuant to the provisions of Article 271-30, paragraph (1) as applied mutatis mutandis pursuant to Article 272-40, paragraph (2);
- (vi) a disposition ordering the administration of business and property by a receiver of an insurer pursuant to the provisions of Article 241, paragraph (1); or
 - (vii) the approval pursuant to the provisions of Article 247, paragraph (2) or (4).
- (2) If the Prime Minister has received a notification under the following provisions (for notification under the provisions listed in items (i) or (iv), limited to one involving the cases specified by Cabinet Office Order or Ministry of Finance Order), the Prime Minister is to promptly notify the Minister of Finance of this:
- (i) the provisions of Article 127, paragraph (1) (limited to the part involving item (viii) of that paragraph);
 - (ii) the provisions of Article 209 (limited to the part involving items (v) through (viii) of that Article);
 - (iii) the provisions of Article 234 (limited to the part involving items (iv) through (vii) of that Article); or
 - (iv) the provisions of Article 272-21, paragraph (1) (limited to the part involving item (vi)).

(Submission of Materials to the Minister of Finance)

Article 311-4 (1) If the Minister of Finance finds it necessary for planning or designing a system for insurance business in connection with the financial bankruptcy processing system and financial crisis management under their jurisdiction, the Minister of Finance is to request the Prime Minister to submit necessary materials and provide explanations.

(2) If the Minister of Finance finds it particularly necessary for planning or designing a system for insurance business in connection with the financial bankruptcy processing system and financial crisis management under their jurisdiction, the Minister of Finance may request an insurance company, etc., a foreign insurance company, etc., the general agent of a licensed specified corporation (meaning the general agent set forth in Article 219, paragraph (1)), an insurance company's major shareholder, an insurance holding company, a small amount and short term insurer's major shareholder, a small amount and short term insurance holding company or any other relevant person to submit materials or to provide explanations or other cooperation, to the extent necessary.

(Delegation to Cabinet Office Order)

Article 312 Beyond what is prescribed in this Act, the procedures for application and submission of documents for authorization, etc. under this Act and any other particulars necessary for the implementation of this Act is specified by Cabinet Office Order (or, Cabinet Office Order or Ministry of Finance Order for any particular of a Corporation and its business).

(Delegation of Authority)

Article 313 (1) The Prime Minister is to delegate the authority under this Act (excluding those specified by Cabinet Order) to the Commissioner of the Financial Services Agency

(2) The Commissioner of the Financial Services Agency may, pursuant to the provisions of Cabinet Order, delegate part of the authority that has been delegated pursuant to the provisions of the preceding paragraph to the Director-Generals of Local Finance Bureaus or Local Finance Branch Offices.

(Transitional Measures)

Article 314 When an order is enacted, amended or repealed pursuant to this Act, necessary transitional measures (including transitional measures concerning penal provisions) may be prescribed by that order, to the extent considered reasonably necessary for its enactment, amendment or repeal.

Part VI Penal Provisions

Article 315 A person who falls under any of the following items are punished by imprisonment with work for not more than three years or a fine of not more than three million yen, or both:

- (i) a person who has conducted insurance business without obtaining the license from the Prime Minister, in violation of the provisions of Article 3, paragraph (1);
- (ii) a person who had another person conduct insurance business in violation of Article 7-2 (including as applied mutatis mutandis pursuant to Article 199);
- (iii) a person who, in violation of Article 24, paragraph (1), item (i) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), has conducted the act listed in the item (excluding an act relating to the acceptance of a trust set forth in the items of Article 2, paragraph (3) of that Act);
- (iv) a person who failed to deliver a report under Article 27, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199) (excluding a report pertaining to the acceptance of a trust set forth in

- the items of Article 2, paragraph (3) of that Act; hereinafter the same applies in this item), or delivered the relevant report containing a false statement;
- (v) a person who, in violation of Article 100-5, paragraph (1) (including as applied mutatis mutandis pursuant to Article 199), has failed to deliver an investment report, has delivered an investment report not stating the particulars prescribed in that paragraph or an investment report containing a false statement, or has provided information not containing the relevant statement or containing a false statement by the means prescribed in Article 100-5, paragraph (2) (including as applied mutatis mutandis pursuant to Article 199);
 - (vi) a person who has obtained the registration set forth in Article 272, paragraph (1) by wrongful means;
 - (vii) a person who had another person conduct small amount and short term insurance business in violation of Article 272-9; and
 - (viii) a person who, in violation of Article 300, paragraph (1), item (i), has conducted an act listed in item (i) of that paragraph (limited to an act relating to a performance-linked insurance contract); or
 - (ix) a person who has violated the provisions of Article 39, paragraph (1) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 300-2.

Article 315-2 In any of the following cases of violation, a person who has committed the violation is punished by imprisonment with work for not more than two years or a fine of not more than three million yen, or both:

- (i) if a person, without obtaining the authorization of the Prime Minister pursuant to the provisions of Article 271-18, paragraph (1), by any of the transactions or actions listed in the items of the same paragraph, has become a holding company whose subsidiary companies include an insurance company, or incorporated a holding company whose subsidiary companies include an insurance company;
- (ii) if the person had been, in violation of Article 271-18, paragraph (3), a holding company whose subsidiary companies included an insurance company after the last day of the grace period prescribed in the same paragraph;
- (iii) if the person had been a holding company whose subsidiary companies included an insurance company in violation of the order under the provisions of Article 271-18, paragraph (5), or if the person had been, in violation of Article 271-30, paragraph (2), a holding company whose subsidiary companies included an insurance company beyond the period of time designated by the Prime Minister prescribed in the same paragraph;
- (iv) if the person has, without obtaining the approval of the Prime Minister

- pursuant to the provisions of Article 272-35, paragraph (1), through any of the transactions or actions listed in the items of the same paragraph, become a holding company whose subsidiary companies include a small amount and short term insurer, or incorporated a holding company whose subsidiary companies include a small amount and short term insurer;
- (v) if the person had been, in violation of Article 272-35, paragraph (3), a holding company whose subsidiary companies included a small amount and short term insurer after the last day of the grace period prescribed in the same paragraph; and
 - (vi) if the person had been a holding company whose subsidiary companies included a small amount and short term insurer in violation of the order pursuant to the provisions of Article 272-35, paragraph (5), or if the person had been, in violation of the provisions of Article 271-30, paragraph (2) as applied mutatis mutandis pursuant to Article 272-40, paragraph (2), a holding company whose subsidiary companies included a small amount and short term insurer beyond the period of time designated by the Prime Minister prescribed in the same paragraph.

Article 316 A person who falls under any of the following items is punished by imprisonment with work for not more than two years or a fine of not more than three million yen, or both:

- (i) a person who has violated the conditions imposed pursuant to the provisions of Article 5, paragraph (2) (including as applied mutatis mutandis pursuant to Article 187, paragraph (5)) or Article 221, paragraph (2);
- (ii) a person who has violated the order for the whole or partial suspension of the business pursuant to the provisions of Article 132, paragraph (1), Article 133, Article 204, paragraph (1), Article 205, Article 230, paragraph (1), Article 231, Article 241, paragraph (1), Article 271-30, paragraph (1) or (4) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (2)), or Article 272-26, paragraph (1);
- (iii) a person who has violated the order for suspension of the business under the provisions of Article 240-3;
- (iv) a person who has violated the provisions of Article 186, paragraph (1);
- (v) a person who has violated the conditions imposed pursuant to the provisions of Article 188, paragraph (1);
- (vi) a person who has violated the provisions of Article 190, paragraph (5), Article 223, paragraph (5), or Article 272-5, paragraph (5); and
- (vii) a person who has conducted business in violation of Article 245 (including as applied mutatis mutandis pursuant to Article 258, paragraph (2)), Article 250, paragraph (5) (including as applied mutatis mutandis pursuant to Article 270-4, paragraph (9)), Article 254, paragraph (4), or Article 255-2,

paragraph (3).

Article 316-2 A person who falls under any of the following items are punished by imprisonment with work for not more than one year or a fine of not more than three million yen, or both:

- (i) a person who, in violation of the provisions of Article 24, paragraph (1), item (i) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199; hereinafter the same applies in this item), has performed the act listed in that item (limited to the act pertaining to the acceptance of a trust set forth in the items of Article 2, paragraph (3) of that Act), or a person who, in violation of the provisions of Article 24, paragraph (1), item (iii) or (iv) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8), has performed the acts listed in these provisions;
- (ii) a person who has failed to deliver a report (limited to a report pertaining to the acceptance of a trust set forth in the items of Article 2, paragraph (3) of that Act) under Article 27, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), or delivered the report containing a false statement;
- (iii) a person who has violated the provisions of Article 29, paragraph (2) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199);
- (iv) a person who has failed to submit the report or materials under the provisions of Article 42, paragraphs (1) through (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), or has submitted a false report or materials; and
- (v) a person who has failed to answer the questions asked by relevant officials pursuant to the provisions of Article 42, paragraphs (1) through (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199) or has made a false answer, or has refused, obstructed, or avoided the inspection under the provisions.

Article 316-3 A person who falls under any of the following items are punished by imprisonment with work for not more than one year or a fine of not more than three million yen, or both:

- (i) a person who has submitted a written application for designation pursuant to the provisions of Article 308-3, paragraph (1) or a document or electronic

or magnetic records to be attached thereto pursuant to the provisions of paragraph (2) of that Article, in which the person has stated or recorded any false statement;

- (ii) a person who has violated the provisions of Article 308-9;
- (iii) a person who has failed to submit a report pursuant to the provisions of Article 308-20, paragraph (1) or has submitted a report that includes any false statement;
- (iv) a person who has failed to submit a report or materials pursuant to the provisions of Article 308-21, paragraph (1) or (2) or submitted a false report or materials; a person who has failed to answer the questions asked by the officials pursuant to these provisions or has made a false answer, or has refused, obstructed, or avoided the inspection under these provisions; or
- (v) a person who has violated the order under Article 308-22, paragraph (1).

Article 317 A person who falls under any of the following items is punished by imprisonment with work for not more than one year or a fine of not more than three million yen:

- (i) a person who, in violation of Article 110, paragraph (1) (including as applied mutatis mutandis pursuant to Article 199) or paragraph (2) (including as applied mutatis mutandis pursuant to Article 272-16, paragraph (3)), Article 195, Article 271-24, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (1)), or Article 272-16, paragraph (1) or (2), has failed to submit the document or electronic or magnetic record prescribed in the provisions, or has submitted documents or electronic or magnetic records in which the person failed to state or record the particulars that must be stated or recorded in the electronic or magnetic records or in which they have entered any false statement or record;
- (i)-2 a person who, in violation of Article 111, paragraph (1) (including as applied mutatis mutandis pursuant to Article 199 and Article 272-17) or paragraph (2) (including as applied mutatis mutandis pursuant to Article 272-17), or Article 271-25, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (1)), has failed to make the document prescribed in the provisions available for public inspection, or who, in violation of Article 111, paragraph (4) (including as applied mutatis mutandis pursuant to Article 199 and Article 272-17) or Article 271-25, paragraph (3) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (1)), has failed to take the measure specified by Cabinet Office Order which makes the information recorded in the electronic or magnetic record prescribed in Article 111, paragraph (3) (including as applied mutatis mutandis pursuant to Article 199 and Article 272-17) or Article 271-25, paragraph (2) (including as applied mutatis mutandis

pursuant to Article 272-40, paragraph (1)) available to many and unspecified persons by electronic or magnetic means, or who, in violation of these provisions, has made documents in which the person has failed to state the particulars that are required to be entered or in which they have entered false statements available for public inspection, or who has taken measures to make the information recorded in electronic or magnetic records in which they have failed to record the particulars that are required to be recorded in the electronic or magnetic records or in which they have included a false record available to many and unspecified persons by electronic or magnetic means;

- (ii) a person who has failed to submit the report or materials under the provisions of Article 128, paragraph (1) or (2), Article 200, paragraph (1) or (2), Article 226, paragraph (1) or (2), Article 271-8, Article 271-12 (including as applied mutatis mutandis pursuant to Article 272-34, paragraph (1)), Article 271-27, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (2)), or Article 272-22, paragraph (1) or (2), or has submitted false reports or materials;
- (iii) a person who has failed to answer the questions under the provisions of Article 129, paragraph (1) or (2), Article 201, paragraph (1) or (2), Article 227, paragraph (1) or (2), Article 271-9, paragraph (1), Article 271-13, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-34, paragraph (1)), Article 271-28, paragraph (1) or (2) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (2)), or Article 272-23, paragraph (1) or (2), or has made a false answer, or has refused, obstructed, or avoided the inspection under these provisions;
- (iv) a person who has violated the order under the provisions of Article 179, paragraph (1) (including as applied mutatis mutandis pursuant to Article 212, paragraph (5) and Article 235, paragraph (5));
- (v) a person who has failed to submit the report or materials under the provisions of Article 128, paragraph (1) or Article 272-22, paragraph (1) as applied mutatis mutandis pursuant to Article 179, paragraph (2), the provisions of Article 200, paragraph (1) as applied mutatis mutandis pursuant to Article 212, paragraph (5), or the provisions of Article 226, paragraph (1) as applied mutatis mutandis pursuant to Article 235, paragraph (5), or has submitted false reports or materials;
- (vi) a person who has failed to answer the questions under the provisions of Article 129, paragraph (1) or Article 272-23, paragraph (1) as applied mutatis mutandis pursuant to Article 179, paragraph (2), the provisions of Article 201, paragraph (1) as applied mutatis mutandis pursuant to Article 212, paragraph (5), the provisions of Article 227, paragraph (1) as applied mutatis mutandis pursuant to Article 235, paragraph (5), or Article 129, paragraph

- (1), Article 201, paragraph (1), Article 227, paragraph (1), or Article 272-23, paragraph (1) as applied mutatis mutandis pursuant to Article 271, paragraph (3), or has made a false answer, or has refused, obstructed, or avoided the inspection under these provisions;
- (vii) a person who has violated the order (excluding orders for the dismissal of the director, executive officer, accounting advisor, company auditor or accounting auditor, or for the full or partial suspension of business) under the provisions of Article 271-30, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-40, paragraph (2)); or
- (viii) a person who has violated any conditions attached pursuant to the provisions of Article 310, paragraph (1) (limited to those related to the authorization under the provisions of the proviso to Article 271-18, paragraph (1) or (3), or the approval under the provisions of the proviso to Article 272-35, paragraph (1) or (3)).

Article 317-2 A person who falls under any of the following items are punished by imprisonment with work for not more than one year or a fine of not more than one million yen, or both:

- (i) a person, in violation of the provisions of Article 11, paragraph (5) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), who has commenced insurance proceeds trust business;
- (ii) a person who has violated the provisions of Article 24-2 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), or the provisions of Article 39, paragraph (2) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 300-2;
- (iii) a person who has submitted a written application for registration set forth in Article 272-2, paragraph (1) or a document set forth in the same Article, paragraph (2) which includes a false statement;
- (iv) a person who is not any of the persons set forth in the items of Article 275, paragraph (1) and has engaged in insurance solicitation;
- (v) a person who has obtained the registration set forth in Article 276 or Article 286 by wrongful means;
- (vi) a person who has violated the provisions of Article 291, paragraph (5);
- (vii) a person who, in violation of Article 300, paragraph (1), has performed the act set forth in item (i) of that paragraph (excluding an act related to a performance-linked insurance contract) or conducted the act listed in item (ii) or (iii) of that paragraph;
- (viii) a person, in violation of Article 37-3, paragraph (1) (excluding items (ii) and (vi)) of the Financial Instruments and Exchange Act as applied mutatis

mutandis pursuant to Article 300-2, who has failed to deliver a document or has delivered a document that does not state the particulars prescribed in the same paragraph or that includes false statements; or any person who has provided information without the relevant information or has provided false particulars by the method specified in Article 34-2, paragraph (4) of that Act as applied mutatis mutandis pursuant to paragraph (2) of that Article; and (ix) a person who has violated the order for the full or partial suspension of business pursuant to the provisions of Article 307, paragraph (1); or (x) a person who, in violation of the provisions of Article 308-4, paragraph (1), has divulged any secret learned in the course of their duties or has used the secret for their own interest.

Article 317-3 (1) In the case referred to in item (ii) of the preceding Article, the property interest received by the offender or a third person who knows the circumstances are confiscated. If it is not possible to confiscate the whole or part of the property interest, its value is additionally collected.

(2) The provisions of Article 209-2 (Confiscation of Mixed Property) and Article 209-3, paragraph (2) (Requirements for Confiscation) of the Financial Instruments and Exchange Act apply mutatis mutandis to confiscation under the preceding paragraph. In this case, the phrases "Article 198-2, paragraph (1) or Article 200-2", "in paragraph (1) of the following Article and Article 209-4, paragraph (1)" and "in the following paragraph and paragraph (1) of the following Article" in Article 209-2, paragraph (1) of that Act are deemed to be replaced with "Article 317-3, paragraph (1) of the Insurance Business Act", "this paragraph", and "the following paragraph", respectively; the phrase "mixed property (limited to mixed property in which illegal property pertaining to the provisions of Article 200-2 is mixed)" in paragraph (2) of that Article is deemed to be replaced with "mixed property"; and the phrase "Article 198-2, paragraph (1) or Article 200-2" in Article 209-3, paragraph (2) of that Act is deemed to be replaced with "Article 317-3, paragraph (1) of the Insurance Business Act".

Article 318 A person who has violated the provisions of Article 240-10, Article 247-3, or Article 265-21 is punished by imprisonment with work for not more than one year or a fine of not more than five hundred thousand yen.

Article 318-2 (1) If the director, executive officer, accounting advisor, company auditor, accounting auditor, or manager or other employee of a company being investigated, or a person who has resigned from these positions has failed to make a report under the provisions of Article 240-9, paragraph (1), or has made a false report, or has refused, obstructed, or evaded the inspection under the

provisions of the same paragraph, the person is punished by imprisonment with work for not more than one year or a fine of not more than five hundred thousand yen.

- (2) If the director, executive officer, accounting advisor, company auditor, accounting auditor, or manager or other employee of a managed company, or any person who has resigned from these positions has failed to make a report under the provisions of Article 247-2, paragraph (1), or has made a false report, or has refused, obstructed, or avoided the inspection under the provisions of the same paragraph, the person is punished by imprisonment with work for not more than one year or a fine of not more than five hundred thousand yen.

Article 319 A person who falls under any of the following items is punished by imprisonment with work for not more than six months or a fine of not more than five hundred thousand yen, or both:

- (i) a person who, in violation of the provisions of Article 11, paragraph (8) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), has failed to make a deposit;
- (ii) a person who has failed to indicate the particulars prescribed in the provisions of Article 24, paragraph (2) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), or the provisions of paragraph (1) or Article 37, paragraph (1) (excluding item (ii)) of the Financial Instruments and Exchange Act as supplied mutatis mutandis pursuant to Article 300-2, or has made false indications;
- (iii) a person who has violated the provisions of Article 24-2 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), or the provisions of Article 37, paragraph (2) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 300-2;
- (iv) a person who, in violation of the provisions of Article 37-3, paragraph (1) (excluding items (ii) through (iv) and item (vi)) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 24-2 of the Trust Business Act, as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), has failed to deliver a document, or has delivered a document that does not state the particulars prescribed in the same paragraph or a document that includes false statements; or a person who has provided information without the relevant particulars or has provided false particulars by the method specified in Article 34-2, paragraph (4) of that Act as applied mutatis mutandis pursuant to paragraph (2) of that Article;

- (v) a person who has failed to deliver a document under the provisions of Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), or has delivered a false document;
 - (vi) a person who has failed to deliver a document under the provisions of Article 29, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), or has delivered a false document;
 - (vii) a person, in violation of Article 190, paragraph (8), who has failed to make a deposit for the shortfall set forth in the same paragraph;
 - (viii) a person, in violation of Article 223, paragraph (9), who has failed to make a deposit for the shortfall set forth in the same paragraph;
 - (ix) a person who has submitted a written application for approval set forth in Article 272-36, paragraph (1) or a document set forth in paragraph (2) of the same Article in which the person has entered false statements;
 - (x) a person who, in violation of Article 272-5, paragraph (8), has failed to make a deposit for the shortfall set forth in the same paragraph;
 - (xi) a person who, in violation of Article 291, paragraph (8), has failed to deposit the security deposit for the shortfall set forth in the same paragraph;
- or
- (xii) a person who has failed to deliver the document under the provisions of Article 37-4, paragraph (1) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 300-2, or has delivered a document that includes false statements; or a person or who has provided false particulars by the method specified in Article 34-2, paragraph (4) of that Act as applied mutatis mutandis pursuant to paragraph (2) of that Article.

Article 319-2 A person who has failed to prepare or preserve the records under Article 308-11 or Article 308-13, paragraph (9), or has prepared false records are punished by a fine of not more than one million yen.

Article 319-3 A person who falls under any of the following items is punished by a fine of not more than five hundred thousand yen:

- (i) a person who has failed to submit the report or materials under the provisions of Article 265-46, or has submitted a false report or materials;
- (ii) a person who has failed to answer any questions under the provisions of Article 265-46, or has made a false answer, or has refused, obstructed, or avoided the inspection pursuant to the provisions of the same Article;
- (iii) a person who has failed to make a report under the provisions of Article 270-3, paragraph (3) (including as applied mutatis mutandis pursuant to

Article 270-3-2, paragraph (8), Article 270-3-14, paragraph (2), Article 270-4, paragraph (7), and Article 270-6-5, paragraph (2)), Article 270-3-3, paragraph (3), Article 270-3-4, paragraph (4), Article 270-3-6, paragraph (2), Article 270-3-7, paragraph (2), Article 270-3-8, paragraph (2), Article 270-6-7, paragraph (2), Article 270-6-8, paragraph (3) (including as applied mutatis mutandis pursuant to Article 270-6-9, paragraph (3)), Article 270-7, paragraph (4), Article 270-8, paragraph (4), or Article 270-8-3, paragraph (2), or has made a false report;

- (iv) a person who has failed to make a report under the provisions of Article 270-3-10, or has made a false report; and
- (v) a person who has suspended or discontinued all or part of the business of dispute resolution, etc. without obtaining an authorization under Article 308-23, paragraph (1).

Article 320 A person who falls under any of the following items is punished by a fine of not more than three hundred thousand yen:

- (i) a person who, without obtaining authorization, has performed an act related to particulars which require authorization under the provisions of Article 102, paragraph (1) (including as applied mutatis mutandis pursuant to Article 199);
- (i)-2 a person who has failed to make a report under the provisions of Article 122-2, paragraph (4) or has made a false report, or has refused, obstructed, or avoided the inspection under the provisions of the same paragraph;
- (i)-3 a person who has failed to submit the materials under the provisions of Article 265-31, paragraph (1), Article 266, paragraph (2) (including as applied mutatis mutandis pursuant to Article 267, paragraph (4)), Article 267, paragraph (2), Article 270-3-11, paragraph (2), Article 270-6-2, paragraph (2), Article 270-6-6, paragraph (2), and Article 270-8-2, paragraph (2), or has submitted false materials;
- (ii) a person who has submitted a written application for registration set forth in Article 277, paragraph (1), a document set forth in the same Article, paragraph (2), a written application for registration set forth in Article 287, paragraph (1), or a document set forth in paragraph (2) of the same Article in which the person has entered false statements;
- (iii) a person, in violation of Article 303, has failed to keep books and documents, failed to enter the particulars prescribed in the same Article in them, has entered false statements in them, or has failed to preserve them;
- (iv) a person, in violation of Article 304, who has failed to submit the documents prescribed in the same Article, has submitted documents in which they have failed to state particulars that are required to be stated, or has submitted documents in which they have entered false statements;

- (v) a person who has failed to submit the report or materials under the provisions of Article 305, paragraph (1) or (2) or has submitted false reports or materials;
- (vi) a person who has failed to answer any questions under the provisions of Article 305, paragraph (1) or (2) or has made a false answer, or has refused, obstructed, or avoided the inspection under these provisions; and
- (vii) a person who has violated the order under the provisions of Article 306;
- (viii) a person who has failed to make a report under Article 308-8, paragraph (1), or has made a false report;
- (ix) a person who has failed to make a notification under Article 308-18, paragraph (1), Article 308-19 or Article 308-23, paragraph (2), or has made a false notification; or
- (x) a person who has failed to make a notification under Article 308-23, paragraph (3) or Article 308-24, paragraph (4), or has made a false notification.

Article 321 (1) If the representative person or agent of a corporation (including an association or foundation that is not a corporation and has designated representative persons or administrators; hereinafter the same applies in this paragraph) or representative, employee or other worker of a corporation or individual has committed the violation prescribed in the provisions set forth in the following items with regard to the business or property of the corporation or individual, not only the offender is punished but also the corporation is punished by the fine prescribed in each of those items, and the individual is punished by the fine prescribed in the respective Articles:

- (i) Article 315, items (iii) through (v), item (viii) or (ix) or Article 316, items (i) through (iii), item (vi) or (vii): a fine of not more than three hundred million yen;
 - (ii) Article 316-2, Article 316-3 (excluding item (ii)) or Article 317, items (i) through (iii), item (vii) or (viii); a fine of not more than two hundred million yen;
 - (iii) Article 317-2, item (ii): a fine of not more than one hundred million yen; and
 - (iv) Article 315 (excluding items (iii) through (v) and items (viii) and (ix)), Article 315-2, Article 316, item (iv) or (v), Article 316-3, item (ii), Article 317, items (iv) through (vi), Article 317-2 (excluding item (ii)), or Article 318-2 through the preceding Article: a fine prescribed in the respective Articles.
- (2) If the provisions of the preceding paragraph apply to an association or foundation that is not a corporation, its representative person or administrator is to represent the association or foundation in any procedural acts, and the provisions of the Acts concerning criminal procedures in the cases if a

corporation is the accused or a suspect apply mutatis mutandis.

(Crime of Special Breach of Trust by Directors)

Article 322 (1) When any of the following persons, for the purpose of promoting their own interest or the interest of a third party, or inflicting damage on an insurance company etc., performs an act that is in breach of their duty and causes financial loss to the insurance company, etc., the person is punished by imprisonment with work for not more than ten years or a fine of not more than ten million yen, or both:

- (i) a receiver or responsible actuary of an insurance company, etc.;
- (ii) incorporator of a mutual company;
- (iii) director or company auditor of a mutual company at the time of its incorporation;
- (iv) director, executive officer, accounting advisor or company auditor of a mutual company;
- (v) acting director, executive officer or auditor of a mutual company who has been appointed pursuant to the provisional disposition order prescribed in Article 56 of the Civil Provisional Remedies Act;
- (vi) a person who is to carry out the duties of a temporary director (in case of a company with an audit and supervisory committee, a director who is an audit and supervisory committee member or other director), accounting advisor, company auditor, representative director, committee member (meaning a member of a nominating committee, audit committee, or compensation committee), executive officer or representative executive officer who has been appointed pursuant to the provisions of Article 53-15, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15, Article 401, paragraph (3) of that Act, as applied mutatis mutandis pursuant to Article 53-25, paragraph (2) (including as applied mutatis mutandis pursuant to Article 53-27, paragraph (3)) or Article 401, paragraph (3) of that Act as applied mutatis mutandis pursuant to Article 420, paragraph (3) of that Act, as applied mutatis mutandis pursuant to Article 53-32;
- (vii) manager of a mutual company;
- (viii) employee of a mutual company to whom a type of particular or a specific particular of its business has been delegated; and
- (ix) inspector (limited to those related to a mutual company).

(2) When any of the following persons, for the purpose of promoting their own interest or the interest of a third party, or inflicting damage on a mutual company in liquidation, performs an act that is in breach of their duty and causes financial loss to the mutual company in liquidation, the same punishment as in the preceding paragraph applies:

- (i) liquidator of a mutual company in liquidation;

- (ii) acting liquidator of a mutual company in liquidation who has been appointed pursuant to the provisional disposition order prescribed in Article 56 of the Civil Provisional Remedies Act;
 - (iii) temporary liquidator who has been appointed pursuant to the provisions of Article 53-12, paragraph (2) as applied mutatis mutandis pursuant to Article 180-5, paragraph (4), or the provisions of Article 351, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 180-9, paragraph (5) or a person who is to carry out the duties of representative liquidator of a mutual company in liquidation;
 - (iv) representative for a liquidator of a mutual company in liquidation;
 - (v) supervising committee member of a mutual company in liquidation; or
 - (vi) examination committee member of a mutual company in liquidation.
- (3) A person who has attempted a crime set forth in the preceding two paragraphs is punished.

(Crime of Special Breach of Trust by Representative Bondholders)

- Article 323 (1) When a representative bondholder or resolution executor (meaning a resolution executor prescribed in Article 737, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 61-8, paragraph (2); the same applies hereinafter) of a mutual company, for the purpose of promoting their own interest or the interest of a third party, or inflicting damage on a corporate bondholder, performs an act that is in breach of their duty and causes financial loss to the corporate bondholder, the person is punished by imprisonment with work for not more than five years or a fine of not more than five million yen, or both.
- (2) A person who has attempted the crime set forth in the preceding paragraph is punished.

(Crimes that Put Company Property at Risk)

- Article 324 (1) In the case if a receiver of a stock company operating insurance business (hereinafter referred to as "stock company" in this Part) or responsible actuary falls under any of the following items, the administrator is punished by imprisonment with work for not more than five years or a fine of not more than five million yen, or both:
- (i) when, with regard to particulars listed in Article 199, paragraph (1), item (iii) or Article 236, paragraph (1), item (iii) of the Companies Act, the person has made a false statement or has concealed any fact from the court or shareholders meeting or class shareholders meeting;
 - (ii) when, irrespective of whether on behalf of themselves or on someone else's behalf, the person has wrongfully acquired shares on the account of a stock company or has acquired shares as the subject of a pledge;

- (iii) when the person has made a dividend of surplus in violation of laws and regulations or articles of incorporation; or
 - (iv) when the person has disposed the property of a stock company for the purpose of speculative trading outside the scope of the purpose of the stock company.
- (2) In the case if a receiver of a mutual company, responsible actuary, a person set forth in Article 322, paragraph (1), items (ii) through (ix), or a person appointed pursuant to the provisions of Article 94, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 30-11, paragraph (2) or Article 79, paragraph (3), falls under any of the following items, the person is punished by the same punishment as that in the preceding paragraph:
- (i) when, with regard to the number of members, the acceptance of the total amount of funds, or the payment pertaining to the contribution of funds, or the particulars listed in the items of Article 24, paragraph (1), in the case of incorporating a mutual company, the person has made a false statement or has concealed any fact from the court or the organizational meeting;
 - (ii) when, in violation of laws and regulations or articles of incorporation, the person has depreciated the funds, paid interest from the funds, or distributed the surplus; or
 - (iii) when, the person has disposed the property of a mutual company for the purpose of speculative trading outside the scope of the purpose of the mutual company.
- (3) When a receiver of a mutual company, any of the persons listed in Article 322, paragraph (1), items (iv) through (vi) or item (ix), or any person who is the director, accounting advisor, company auditor or executive officer of a stock company, in the case of an entity conversion from a mutual company into a stock company has made a false statement or has concealed any fact from the Prime Minister or the court, or from the general meeting or member representatives meeting with regard to the subscription or payment of shares or delivery of non-monetary property or particulars listed in Article 92, item (iii), the person is punished by imprisonment with work for not more than three years or a fine of not more than three million yen, or both.
- (4) When a receiver, director, accounting advisor, company auditor or executive officer of a stock company, an acting director, accounting advisor, company auditor or executive officer of a stock company who has been appointed pursuant to the provisional disposition order prescribed in Article 56 of the Civil Provisional Remedies Act, a person who is to carry out the duties of a temporary director (in case of a company with an audit and supervisory committee, a director who is an audit and supervisory committee member or other directors), accounting advisor, company auditor, representative director,

committee member (meaning a member of a nominating committee, audit committee, or compensation committee), executive officer or representative executive officer who has been appointed pursuant to the provisions of Article 346, paragraph (2), Article 351, paragraph (2), or Article 401, paragraph (3) of the Companies Act (including as applied mutatis mutandis pursuant to Article 403, paragraph (3) and Article 420, paragraph (3)) or inspector, or any person who is the director, accounting advisor, company auditor or executive officer of a mutual company, in the case of an entity conversion from a stock company into a mutual company has made a false statement or has concealed any fact from the policyholders meeting or policyholder representatives meeting with regard to the acceptance of the total amount of funds or payment pertaining to the contribution of funds, the same punishment as that in the preceding paragraph applies.

(Crime of Using False Documents)

- Article 325 (1) When a person listed in Article 322, paragraph (1), items (i) through (viii) or a person who has been entrusted with the solicitation of funds or subscribers to the corporate bonds of a mutual company (meaning corporate bonds prescribed in Article 61), in soliciting subscribers for the shares, funds, share options, corporate bonds (meaning corporate bonds prescribed in Article 61 and bonds prescribed in Article 2, item (xxiii) of the Companies Act; hereinafter the same applies in this paragraph), or corporate bonds with a share option, has used materials explaining the business of an insurance company, etc. or other particulars or an advertisement or other documents related to the relevant subscription which include a false statement with regard to a material particular, or has offered electronic or magnetic records that include a false record with regard to a material particular for carrying out affairs for the relevant solicitation for subscription in the case where electronic or magnetic records have been created in lieu of the documents, the person is punished by imprisonment with work for not more than five years or a fine of not more than five million yen, or both.
- (2) When any person who offers the corporate bonds of a mutual company (meaning corporate bonds prescribed in Article 61) has used documents concerning the secondary distribution which include a false statement with regard to a material particular, or has offered electronic or magnetic records that include a false record with regard to a material particular for carrying out affairs for the relevant secondary distribution in the case where electronic or magnetic records have been created in lieu of the relevant documents, the same punishment as that in the preceding paragraph applies.
- (3) When a receiver of a mutual company or a person listed in Article 322, paragraph (1), items (iv) through (viii), in the case of an entity conversion from

a mutual company into a stock company, in soliciting subscribers for the shares prescribed in Article 92, has used materials explaining the business of the stock company following the entity conversion or other particulars or an advertisement or other documents related to the relevant subscription which include a false statement with regard to a material particular, or has offered electronic or magnetic records that include a false record with regard to a material particular for carrying out affairs for the relevant solicitation for subscription in the case where electronic or magnetic records have been created in lieu of the relevant documents, the same punishment as that in paragraph (1) applies.

(4) When a receiver, director, accounting advisor, company auditor or executive officer of a stock company, an acting director, company auditor or executive officer of a stock company who has been appointed pursuant to the provisional disposition order prescribed in Article 56 of the Civil Provisional Remedies Act, a person who is to carry out the duties of a director (in the case of a company with audit and supervisory committee, a director who is an audit and supervisory committee member or other directors), accounting advisor, company auditor, representative director, committee member (meaning a member of a nominating committee, audit committee, or compensation committee), executive officer or representative executive officer who has been appointed pursuant to the provisions of Article 346, paragraph (2), Article 351, paragraph (2), or Article 401, paragraph (3) of the Companies Act (including as applied mutatis mutandis pursuant to Article 403, paragraph (3) and Article 420, paragraph (3) of that Act) or manager or an employee who has been entrusted with a type of particular or a specific particular of its other business, in soliciting the funds prescribed in Article 78, paragraph (1), in the case of an entity conversion from a stock company into a mutual company, has used an advertisement or other documents related to the subscription of funds which include a false detail with regard to a material particular, or has offered electronic or magnetic records that include a false statement with regard to a material particular for carrying out affairs for the solicitation for subscription in the case where electronic or magnetic records have been created in lieu of the relevant documents, the same punishment as that in paragraph (1) applies.

(Crime of Falsifying Payments)

Article 326 (1) When a person listed in Article 322, paragraph (1), items (i) through (viii) has falsified payment to disguise the payment to fund contributions or payment for shares, the person is punished by imprisonment with work for not more than five years or a fine of not more than five million yen, or both. The same applies to a person who has accepted the falsifying of payment.

- (2) When a person prescribed in paragraph (3) of the preceding Article, in the case of an entity conversion from a mutual company into a stock company, has falsified a payment to disguise the payment for shares pertaining to subscription under the provisions of Article 92, the same punishment as that in the preceding paragraph applies. The same applies to a person who has accepted the falsifying of payment.
- (3) When a person prescribed in paragraph (4) of the preceding Article, in the case of an entity conversion from a stock company into a mutual company, has falsified a payment to disguise the payment set forth in Article 30-3, paragraph (1) as applied mutatis mutandis pursuant to Article 78, paragraph (3), the same punishment as that in paragraph (1) applies. The same applies to a person who has accepted the falsifying of payment.

(Crime of Over Issuance of Shares)

Article 327 When a receiver of a stock company has issued an aggregate number of shares exceeding the total number of shares that a stock company may issue, the administrator is punished by imprisonment with work for not more than five years or a fine of not more than five million yen.

(Crime of Bribery by Directors)

Article 328 (1) When any of the following persons has accepted, or requested or promised a property benefit based on an unlawful request concerning their duties, the person is punished by imprisonment with work for not more than five years or a fine of not more than five million yen:

- (i) a person listed in the items of Article 322, paragraph (1) or the items of paragraph (2);
 - (ii) a person prescribed in Article 323;
 - (iii) accounting auditor of a mutual company or a person who carries out the duties of a temporary accounting auditor who has been appointed pursuant to the provisions of Article 53-12, paragraph (4); and
 - (iv) an insurance inspector of an insurance company.
- (2) A person who has given, or offered or promised to give the benefit set forth in the preceding paragraph is punished by imprisonment with work for not more than three years or a fine of not more than three million yen.

(Crime of Bribery Concerning Exercise of Rights of Members)

Article 329 (1) A person who, with regard to the following particulars, has accepted, or requested or promised a property benefit based on an unlawful request is punished by imprisonment with work for not more than five years or a fine of not more than five million yen:

- (i) making oral statements or exercising voting rights at a general meeting,

- member representatives meeting, organizational meeting, bondholders meeting, or creditors meeting of a mutual company, policyholders meeting or policyholder representatives meeting in the case if a stock company is to carry out the entity conversion set forth in Article 68, paragraph (1), or creditors meeting of a foreign mutual company;
- (ii) exercise of rights of a member or representative member prescribed in Article 38, paragraph (1) or (2), Article 39, Article 40, paragraph (1), Article 45, paragraph (1) or (2), Article 46, Article 47, paragraph (1), Article 50, paragraph (1) or (2), Article 358, paragraph (1) (excluding item (ii)) or Article 360, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 53-15, Article 422, paragraph (1) of the same Act, as applied mutatis mutandis pursuant to Article 53-32, Article 426, paragraph (7) of the same Act, as applied mutatis mutandis pursuant to Article 53-36, or Article 360, paragraph (1) of the same Act, as applied mutatis mutandis pursuant to Article 180-5, paragraph (2) or Article 180-8, paragraph (4); or the exercise of rights of a member or obligee prescribed in Article 511, paragraph (1) or Article 522, paragraph (1) of the same Act as applied mutatis mutandis pursuant to Article 184; or the exercise of rights of an obligee prescribed in Article 547, paragraph (1) or (3) of the same Act as applied mutatis mutandis pursuant to Article 184;
 - (iii) exercise of rights of an aggregate number of members that corresponds to five thousandths, three thousandths, one thousandth or more of the total number of members or three thousand or one thousand or more members (in the case of a specified mutual company, the number of members specified by Cabinet Order prescribed in Article 38, paragraph (1), Article 39, paragraph (1) or Article 50, paragraph (1) or more than that number), nine or three or more representative members, or a corporate bondholder who holds corporate bonds equivalent to one-tenth or more of the total amount (excluding the amount of corporate bonds which has been redeemed) of corporate bonds of a mutual company (meaning the corporate bonds prescribed in Article 61; hereinafter the same applies in this item);
 - (iv) filing of litigation prescribed in this Act or the Companies Act as applied mutatis mutandis pursuant to this Act (limited to those filed by a member or an obligee of a mutual company or a qualified former shareholder (meaning a qualified former shareholder prescribed in Article 847-4, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4, or Article 847-2, paragraph (9) of that Act as applied mutatis mutandis pursuant to Article 96-4-2)) relating to an insurance company, etc. (limited to a stock company); and
 - (v) intervention by a member under the provisions of Article 849, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to this Act.

(2) The same punishment as that in the preceding paragraph applies to a person who has given, or offered, or promised to give the benefit set forth in the same paragraph.

(Confiscation and Additional Collection)

Article 330 In the case referred to in Article 328, paragraph (1) or paragraph (1) of the preceding Article, a benefit accepted by an offender is confiscated. If the whole or a part of the benefit cannot be confiscated, its value is additionally collected.

(Crime of Benefit Sharing Concerning Exercise of Rights of Shareholders)

Article 331 (1) When a receiver of an insurance company, etc., or a persons listed in Article 322, paragraph (1), items (iv) through (vii) or other employees of a mutual company, with regard to the exercise of rights of a shareholder or member or representative member, or the exercise of rights of a qualified former shareholder (meaning a qualified former shareholder prescribed in Article 847-2, paragraph (9) of the Companies Act (including as applied mutatis mutandis pursuant to Article 96-4-2) and in Article 847-4, paragraph (2) of that Act as applied mutatis mutandis pursuant to Article 96-4; the same applies in paragraph (3)) relating to an insurance company, etc. (limited to a stock company), has given a property benefit with regard to the account of the insurance company, etc. or its subsidiary company (meaning the subsidiary company as defined in Article 2, item (iii) of that Act (its substantive subsidiary companies in the case where the insurance company, etc. is a mutual company); the same applies in this paragraph and paragraph (3)), the person is punished by imprisonment with work for not more than three years or a fine of not more than three million yen. The same applies to the case if a person listed in Article 960, paragraph (1), items (iii) through (vi) of that Act relating to an insurance company, etc. (limited to a stock company; hereinafter the same applies in this paragraph) or other employees of the relevant insurance company, etc. provided a property benefit for the account of the relevant insurance company, etc. or its subsidiary company in relation to the exercise of rights of a qualified former shareholder (meaning a qualified former shareholder prescribed in Article 847-4, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 96-4, or in Article 847-2, paragraph (9) of that Act as applied mutatis mutandis pursuant to Article 96-4-2) relating to the relevant insurance company, etc.

(2) The same punishment as that in the preceding paragraph applies to a person who, with knowledge, has been given the benefit set forth in the same paragraph or has caused a third party give such benefit.

(3) The same punishment as in paragraph (1) applies to a person who, with

regard to the exercise of rights of a shareholder or member or representative member, or rights of a qualified former shareholder relating to an insurance company, etc. (limited to a stock company) has requested the person prescribed in the same paragraph to give the benefit set forth in the same paragraph to the person or to a third party with regard to the account of the insurance company, etc. or its subsidiary company.

- (4) When a person who has committed a crime set forth in the preceding two paragraphs has intimidated a person prescribed in paragraph (1) regarding the execution of the crime, the person is punished by imprisonment with work for not more than five years or a fine of not more than five million yen.
- (5) Imprisonment with work and fine may be imposed cumulatively, depending on the circumstances, on a person who has committed a crime set forth in the preceding three paragraphs.
- (6) When a person who has committed a crime set forth in paragraph (1) has surrendered voluntarily to the police, their punishment may be reduced or remitted.

(Crimes Committed Outside Japan)

Article 331-2 (1) The crimes set forth in Articles 322 through 324, Article 326, Article 327, Article 328, paragraph (1), Article 329, paragraph (1) and paragraph (1) of the preceding Article are to also apply to a person who has committed these crimes outside Japan.

- (2) The crimes set forth in Article 328, paragraph (2), Article 329, paragraph (2), and paragraphs (2) through (4) of the preceding Article are governed by Article 2 of the Penal Code.

(Application of Penal Provisions to Corporations)

Article 332 When a person prescribed in Articles 322 through 327, Article 328, paragraph (1), Article 329, paragraph (1), or Article 331, paragraph (1) is a corporation, these provisions and the provisions of Article 322, paragraph (3) and Article 323, paragraph (2) are to apply to the director, executive officer, other officer or manager who executes business, respectively.

(Crime of False Notification)

Article 332-2 A person who, in violation of Article 955, paragraph (1) of the Companies Act as applied *mutatis mutandis* pursuant to Article 67-2 or Article 217, paragraph (3), has failed to state or record what is specified by Order of the Ministry of Justice concerning the investigation of electronic public notice prescribed in the same paragraph in the register of studies, etc. (meaning the register of studies, etc. prescribed in the same paragraph; hereinafter the same applies in this Article), who has entered or recorded a false statement in the

register of studies, etc., or who has not preserved the register of studies, etc. in violation of the same paragraph, is punished by a fine of not more than three hundred thousand yen.

(Dual Liability)

Article 332-3 When a representative person of a corporation, or an agent, employee or other workers of a corporation or individual, has committed the violation set forth in the preceding Article with regard to the business of the corporation or individual, not only the offender is punished but also the corporation or individual is punished by the punishment prescribed in the same Article.

(Acts Which Are Punishable by a Civil Fine)

Article 333 (1) If the incorporator of an insurance company, etc., the director at the time of the incorporation of the insurance company, etc., its executive officer at the time of incorporation, company auditor at the time of incorporation, its director, executive officer, or accounting advisor, or the member who is to act as such; its company auditor or accounting auditor or the member who is to act as a accounting auditor; its liquidator; its entrusted company as prescribed in Article 144, paragraph (1) (including as applied mutatis mutandis pursuant to Article 272-30, paragraph (2)); its receiver of an insurer or insurance inspector; its liquidator representative as set forth in Article 525, paragraph (1) of the Companies Act (including as applied mutatis mutandis pursuant to Article 184); its supervising committee member as set forth in Article 527, paragraph (1) of the same Act (including as applied mutatis mutandis pursuant to Article 184); its examination committee member as set forth in Article 533 of the same Act (including as applied mutatis mutandis pursuant to Article 184); the person who is to act as its director, executive officer, company auditor, or liquidator and who has been appointed pursuant to a provisional disposition order prescribed in Article 56 of the Civil Provisional Remedies Act; the person who is to act as its temporary director, accounting advisor, company auditor, representative director, committee member, executive officer, or representative executive officer as prescribed in Article 322, paragraph (1), item (vi) or in Article 960, paragraph (1), item (v) of the Companies Act; the person who is to act as its temporary liquidator or representative liquidator as prescribed in Article 322, paragraph (2), item (iii) or in Article 960, paragraph (2), item (iii) of the same Act; the person who is to act as its temporary accounting auditor as prescribed in Article 328, paragraph (1), item (iii) or Article 967, paragraph (1), item (iii) of the same Act; its inspector, the administrator of its shareholder register, the administrator of its bond register, its bond administrator, the bond administrator succeeding to its

affairs, its representative bondholder, its resolution executor, or its manager; the representative person in Japan of a foreign insurance company, etc., the liquidator of the foreign insurance company, its entrusted company as prescribed in Article 144, paragraph (1) as applied mutatis mutandis pursuant to Article 211, or its receiver of an insurer, insurance inspector, or manager; the person representing a licensed specified corporation and its subscription members in Japan; a person who has concluded a contract set forth in Article 190, paragraph (3) with a foreign insurance company, etc., a person who has concluded a contract set forth in Article 223, paragraph (3) with a licensed specified corporation, or a person who has concluded a contract set forth in Article 272-5, paragraph (3) with a small amount and short term insurer; the officer of a Corporation; a large-volume holder of insurance company voting rights (including the person who used to be the large-volume holder of insurance company voting rights, if the large-volume holder of insurance company voting rights has ceased to be a large-volume holder of insurance company voting rights, and if the large-volume holder of insurance company voting rights is a corporation (including organizations that are not a corporation listed in Article 2-2, paragraph (1), item (i); hereinafter the same applies in this paragraph except for items (lxiv) and (lxx)), this means its director, executive officer, or accounting advisor, or the member who is to act as an accounting advisor; its company auditor, representative person, or manager, the member who executes its business, or its liquidator); an insurance company's major shareholder or a small amount and short term insurer's major shareholder (including the person who used to be the insurance company's major shareholder or small amount and short term insurer's major shareholder, if the insurance company's major shareholder or small amount and short term insurer's major shareholder has ceased to be the insurance company's major shareholder or small amount and short term insurer's major shareholder, and if the insurance company's major shareholder or small amount and short term insurance company's major shareholder is a corporation, this means its director, executive officer, or accounting advisor, or the member who is to act as an accounting advisor, its company auditor, representative person, or manager, the member who executes its business, or its liquidator); a specified major shareholder or small amount and short term insurer's specified major shareholder (including the person who used to be the specified major shareholder or small amount and short term insurer's specified major shareholder, if the specified major shareholder or small amount and short term insurer's specified major shareholder has ceased to be a person that holds a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold, etc., and if the specified major shareholder or small amount and short term insurer's specified major shareholder is a

corporation, this means its director, executive officer, or accounting advisor, or the member who is to act as an accounting advisor, its company auditor, representative person, or manager, the member who executes its business, or its liquidator); the director, executive officer, or accounting advisor of an insurance holding company or small amount and short term insurance holding company (including the company that used to be the insurance holding company or small amount and short term insurance holding company, if the insurance holding company or small amount and short term insurance holding company has ceased to be an insurance holding company or small amount and short term insurance holding company), or the member who is to act as such; or its company auditor, its manager, or its liquidator; or the director, executive officer, or accounting advisor of a specified holding company or specified small amount and short term insurance holding company (including the company that used to be the specified holding company or specified small amount and short term insurance holding company, if the specified holding company or specified small amount and short term insurance holding company has ceased to have an insurance company, etc. as its subsidiary company), or the member who is to act as an accounting advisor; or its company auditor, its manager, the member who executes its business, or its liquidator falls under any of the following items, they are subject to a civil fine of not more than one million yen; provided, however, that this does not apply if a criminal punishment is to be imposed for the relevant action:

(i) deleted;

(ii) when the person has engaged in the day-to-day business of another company, in violation of Article 8, paragraph (1), Article 192, paragraph (5) or Article 272-10, paragraph (1);

(iii) when the person has failed to make a registration under the provisions of this Act or the Companies Act, as applied mutatis mutandis pursuant to this Act;

(iv) when the person has failed to give public notice or notice under the provisions of this Act or the Companies Act, as applied mutatis mutandis pursuant to this Act, or has given an illegal public notice or notice;

(v) when the person has failed to make a disclosure under the provisions of this Act or the Companies Act as applied mutatis mutandis pursuant to this Act;

(vi) when the person, in violation of this Act or the Companies Act as applied mutatis mutandis pursuant to this Act following the deemed replacement of terms, has refused, without legitimate grounds, to allow public inspection of documents or of an object that shows, by a means specified by Cabinet Office Order, the particulars recorded in electronic or magnetic records, or has refused to issue a certified copy or extract of a document, to provide the particulars that are recorded in an electronic or magnetic record by

- electronic or magnetic means, or to issue a document stating the particulars;
- (vii) when the person has refused, obstructed, or evaded an inspection under the provisions of this Act or the Companies Act as applied mutatis mutandis pursuant to this Act;
 - (viii) when the person, regarding particulars prescribed in this Act or the Companies Act as applied mutatis mutandis pursuant to this Act, has made a false statement or has concealed any fact from a government agency, general meeting, member representatives meeting, organizational meeting, policyholders meeting, policyholder representatives meeting, corporate bondholders meeting, or creditors meeting;
 - (ix) when the person has failed to state or record the particulars that are required to be stated or recorded or has entered or recorded a false statement in the articles of incorporation, minutes of general meeting, member representatives meeting, organizational meeting, board of directors, committee on important property, board of company auditors, audit and supervisory committee, nominating committee, etc., policyholders meeting, policyholder representatives meeting, bondholders meeting or creditors meeting, members list, accounting books, balance sheet, profit and loss statement, business report, annexed detailed statement referred to in Article 494, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 54-3, paragraph (2) or Article 180-17, accounting advisory report, audit report, accounting auditing report, statement of accounts, corporate bond register, inventory of property, business report, or document or electronic or magnetic record set forth in Article 682, paragraph (1) or Article 695, paragraph (1), Article 165-2, paragraph (1), Article 165-9, paragraph (1), Article 165-13, paragraph (1), Article 165-15, paragraph (1), Article 165-19, paragraph (1) or Article 165-21, paragraph (1) of the same Act as applied mutatis mutandis pursuant to Article 61-5;
 - (x) when the person has failed to keep books, documents, papers or electronic or magnetic record in violation of this Act or the Companies Act as applied mutatis mutandis pursuant to this Act;
 - (xi) when the person, without legitimate grounds, has failed to explain the particulars with regard to which a person who seeks to be a member or a member, representative member, or policyholder has requested an explanation at the general meeting, member representatives meeting, organizational meeting, policyholders meeting or policyholder representatives meeting;
 - (xii) when the person, in violation of Article 15, Articles 56 through 59, Article 91, paragraph (4), Article 112, paragraph (2) (including as applied mutatis mutandis pursuant to Article 199) or Article 115 (including as applied mutatis mutandis pursuant to Articles 199 and 272-18), has failed to report

- any reserves or reserves funds, or has failed to make reserves, or has withdrawn from the reserves;
- (xiii) when the person, in violation of Article 17, paragraph (2) or (4) (including as applied mutatis mutandis pursuant to Article 57, paragraph (4)), Article 70, paragraph (2) or (4) (including as applied mutatis mutandis pursuant to Article 165-7, paragraph (4) (including as applied mutatis mutandis pursuant to Article 165-12)), Article 77, paragraph (4), Article 88, paragraph (2) or (4) (including as applied mutatis mutandis pursuant to Article 165-17, paragraph (4) (including as applied mutatis mutandis pursuant to Article 165-20)), Article 137, paragraph (1) or (2) (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) (including as applied mutatis mutandis pursuant to Article 270-4, paragraph (9))), Article 270-4, paragraph (9) and Article 272-29), Article 165-7, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-12), Article 165-17, paragraph (2) (including as applied mutatis mutandis pursuant to Article 165-20), Article 165-24, paragraph (2) or (4), Article 173-4, paragraph (2) or (4) Article 240-12, paragraphs (1) through (3), Article 251, paragraph (1) (including as applied mutatis mutandis pursuant to Article 270-4, paragraph (9))), Article 255, paragraph (1), or Article 255-4, paragraphs (1) through (3), has reduced the amount of stated capital or reserves or withdrawn from depreciation reserves for redemption of funds, has made an entity conversion, established a policyholder representatives meeting, transferred an insurance contract, conducted a merger, split a company, amended the contract conditions prescribed in Article 240-2, paragraph (1), or amended the contract conditions prescribed in Article 250, paragraph (1);
- (xiv) in the case if a request under Article 39, paragraph (1) or Article 46, paragraph (1) has been made, when the person has failed to make the particulars of the request the purpose of a general meeting or member representatives meeting;
- (xv) when the person has failed to convene a general meeting or member representatives meeting in violation of a court order under the provisions of Article 307, paragraph (1), item (i) of the Companies Act as applied mutatis mutandis pursuant to Article 40-2, paragraph (2) or Article 47, paragraph (2) or the provisions of Article 359, paragraph (1), item (i) of the same Act, as applied mutatis mutandis pursuant to Article 53-15, or Article 296, paragraph (1) of the same Act, as applied mutatis mutandis pursuant to Article 41, paragraph (1) or Article 49, paragraph (1);
- (xvi) when the person, in violation of the provisions of Article 301 or 302 of the Companies Act as applied mutatis mutandis pursuant to Article 41, paragraph (1), or the provisions of Article 48 or the provisions of Article 54-5 (including as applied mutatis mutandis pursuant to Article 54-10, paragraph

- (6)), has failed to issue a document or statement, or has failed to provide information by electronic or magnetic means in giving a notice of convocation for a general meeting or member representatives meeting;
- (xvii) when the person has failed to carry out the procedures for the appointment of a director (in case of a company with audit and supervisory committee, a director who is an audit and supervisory committee member or other directors), accounting advisor, company auditor, executive officer or accounting auditor (including the appointment of a person who is to carry out the duties of a temporary accounting auditor) in the case where the number of persons are to fall short of the number specified by this Act or the articles of incorporation;
- (xvii)-2 when the person has failed to appoint half or more outside directors as audit and supervisory committee members in violation of Article 53-2, paragraph (5);
- (xviii) when the person has failed to appoint outside company auditors as half or more of company auditors in violation of Article 53-5, paragraph (3);
- (xix) in the case if a request under Article 343, paragraph (2) or Article 344-2, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 53-11, has been made, when the person has failed to make particulars of the request the purpose of a general meeting or member representatives meeting or has failed to submit a proposal pertaining to the request to the general meeting or member representatives meeting;
- (xx) when the person, in violation of the provisions of Article 365, paragraph (2) of the Companies Act (including as applied mutatis mutandis pursuant to Article 419, paragraph (2) of the same Act, as applied mutatis mutandis pursuant to Article 53-32), as applied mutatis mutandis pursuant to Article 53-15, or the provisions of Article 365, paragraph (2) of the same Act as applied mutatis mutandis pursuant to Article 180-14, paragraph (9), has failed to make a report to a board of directors or board of liquidators, or has made a false report;
- (xxi) when the person has failed to select full-time company auditors in violation of Article 53-19, paragraph (3);
- (xxii) when the person has issued corporate bond certificates prior to the date of the issuance of corporate bonds (meaning corporate bonds prescribed in Article 61);
- (xxiii) when the person has failed to issue corporate bond certificates without delay in violation of Article 696 of the Companies Act as applied mutatis mutandis pursuant to Article 61-5;
- (xxiv) when the person has failed to state the particulars that are required to be stated on the corporate bond certificates, or has included a false statement on the corporate bond certificates;

- (xxv) when the person, in violation of Article 61-6, has issued corporate bonds (meaning corporate bonds prescribed in Article 61), or, in violation of Article 714, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 61-7, paragraph (8), has failed to designate a corporate bond manager who is to succeed to the affairs;
- (xxvi) when the person, in violation of Article 941 of the Companies Act as applied mutatis mutandis pursuant to Article 67-2 or Article 217, paragraph (3), has failed to request the investigation set forth in the same Article;
- (xxvii) when the person has made an entity conversion in violation of Article 69, Article 78 or Article 86;
- (xxviii) when the person, in violation of the main text of Article 98, paragraph (2) or the first sentence of Article 99, paragraph (4), or paragraph (5) (including as applied mutatis mutandis pursuant to Article 199), has conducted business prescribed in these provisions without obtaining authorization, or, in violation of the proviso to Article 272-11, paragraph (2), has conducted business prescribed in the proviso to the same paragraph without obtaining approval;
- (xxix) when the person, in violation of the second sentence of Article 99, paragraph (4) (including as applied mutatis mutandis pursuant to Article 199; hereinafter the same applies in this item), has changed the content or method of the business prescribed in the second sentence of the same paragraph without obtaining authorization;
- (xxx) when the person has conducted any other business in violation of Article 100 (including as applied mutatis mutandis pursuant to Article 199), Article 271-21, paragraph (1), Article 272-11, paragraph (2) or Article 272-38, paragraph (1);
- (xxxii) when the person, in violation of Article 100-4 (including as applied mutatis mutandis pursuant to Article 272-13, paragraph (2)), Article 271-19-2, paragraph (3), or Article 272-37-2, paragraph (2), has become an unlimited partner or a partner who executes the business of a membership company;
- (xxxii) when the person, in violation of Article 106, paragraph (1), has made a company other than the a company eligible to be a subsidiary company prescribed in the same paragraph (excluding Japanese companies prescribed in Article 107, paragraph (1)) a subsidiary company, or, in violation of Article 272-14, paragraph (1), has made a company other than the company that exclusively operates the business specified by Cabinet Office Order prescribed in the same paragraph its subsidiary company;
- (xxxiii) when the person has made an insurance company, etc. eligible to be a subsidiary company prescribed in Article 106, paragraph (7) a subsidiary company without obtaining the authorization of the Prime Minister under the provisions of the same paragraph or has made a company listed in the

- items of paragraph (1) of the same Article into a subsidiary company that falls under any of the companies listed in other items of that paragraph (limited to an insurance company, etc. eligible to be a subsidiary company prescribed in paragraph (7) of the same Article) without obtaining the authorization of the Prime Minister under the provisions of paragraph (7) of the same Article as applied mutatis mutandis pursuant to paragraph (9) of the same Article, or has made a company that exclusively operates the business specified by Cabinet Office Order prescribed in the same paragraph a subsidiary company without obtaining the approval of the Prime Minister under the provisions of Article 272-14, paragraph (2);
- (xxxiv) when the person has violated Article 107, paragraph (1) or the proviso to paragraph (2);
- (xxxv) when the person has violated the conditions imposed pursuant to the provisions of Article 107, paragraph (3) or (5);
- (xxxvi) when the person, in violation of Article 116 or 117 (including as applied mutatis mutandis pursuant to Articles 199 and 272-18), has failed to reserve policy reserves or reserves for outstanding claims;
- (xxxvii) when the person has performed an act set forth in the items of Article 118, paragraph (2), in violation of the same paragraph (including as applied mutatis mutandis pursuant to Article 199);
- (xxxviii) when the person, in violation of Article 120, paragraph (1) (including as applied mutatis mutandis pursuant to Articles 199 and 272-18), has failed to carry out the procedures for the appointment of a responsible actuary or has appointed a person who fails to satisfy the requirements specified by Cabinet Office Order set forth in Article 120, paragraph (2) (including as applied mutatis mutandis pursuant to Articles 199 and 272-18) to the position of responsible actuary, or, in violation of Article 120, paragraph (3) (including as applied mutatis mutandis pursuant to Articles 199 and 272-18; hereinafter the same applies in this item), has failed to give the notification pursuant to the provisions of the same paragraph;
- (xxxix) when the person has violated the order under the provisions of Article 122 (including as applied mutatis mutandis pursuant to Articles 199 and 272-18), Article 190, paragraph (4), Article 223, paragraph (4), Article 242, paragraph (3), Article 258, paragraph (1) or Article 272-5, paragraph (4), or the order under the provisions of Article 132, paragraph (1), Article 204, paragraph (1), Article 230, paragraph (1), Article 240-3, Article 241, paragraph (1) or Article 272-25, paragraph (1) (including orders for the submission of improvement plans, except for the orders for the full or partial suspension of business);
- (xl) when the person has changed the particulars specified in the documents prescribed in the provisions under Article 123, paragraph (1) (including as

- applied mutatis mutandis pursuant to Article 207) or Article 225, paragraph (1) without obtaining the authorization under these provisions;
- (xli) when the person has failed to give the notification under the provisions of Article 123, paragraph (2) (including as applied mutatis mutandis pursuant to Article 207) or Article 225, paragraph (2), or has changed the particulars specified by Cabinet Office Order set forth in Article 123, paragraph (1) (including as applied mutatis mutandis pursuant to Article 207) or Article 225, paragraph (1) within a period of time prescribed in Article 125, paragraph (1) (the shortened or extended period of time in the case where the period of time has been shortened or extended under the provisions of Article 125, paragraph (2) or (3) (including as applied mutatis mutandis pursuant to Article 207 and Article 225, paragraph (3))) (including as applied mutatis mutandis pursuant to Article 207 and Article 225, paragraph (3));
- (xlii) when the person has violated the order for the revocation of change or notification under the provisions of Article 125, paragraph (4) (including as applied mutatis mutandis pursuant to Article 207 and Article 225, paragraph (3)) or Article 272-20, paragraph (4);
- (xliii) when the person has failed to give the notification under the provisions of the proviso to Article 98, paragraph (2) (including as applied mutatis mutandis pursuant to Article 199), Article 127, paragraph (1), Article 209, Article 218, paragraph (1), Article 234, Article 239, Article 271-32, paragraph (1) or (2), Article 272-21, paragraph (1), or Article 272-42, paragraph (1) or (2), or has given a false notification;
- (xliv) when the person has violated the order under the provisions of Article 131, Article 203, Article 229, or Article 272-24, paragraph (1) or (2);
- (xlv) when the person, in violation of Article 136 (including as applied mutatis mutandis pursuant to Article 210, paragraph (1) (including as applied mutatis mutandis pursuant to Article 270-4, paragraph (9)); the same applies in the following item), Article 270-4, paragraph (9) and Article 272-29), has carried out the procedures for the transfer of an insurance contract;
- (xlvi) deleted;
- (xlvii) when the person, in violation of Article 176, has failed to submit a document or paper, or electronic or magnetic record, or has submitted a document or paper, or electronic or magnetic record in which they have failed to state or record the particulars that are required to be stated or recorded, or in which they have entered or recorded a false statement;
- (xlviii) when the person, in violation of Article 180-10, paragraph (1), has failed to file a petition to commence bankruptcy proceedings, or, in violation of Article 511, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 184, has failed to file a petition to commence special liquidation;

- (xlix) when the person has disposed their property in violation of Article 181;
- (l) when the person has inappropriately specified the period of time referred to in Article 499, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 181-2, for the purpose of delaying the completion of the liquidation;
- (li) when the person has performed obligations in violation of the provisions of Article 500, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 181-2, or the provisions of Article 537, paragraph (1) of the same Act as applied mutatis mutandis pursuant to Article 184;
- (lii) when the person has distributed the property of a liquidating mutual company in violation of Article 502 of the Companies Act as applied mutatis mutandis pursuant to Article 181-2;
- (liii) when the person has violated Article 535, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 184, or Article 536, paragraph (1);
- (liv) when the person has violated the temporary restraining order under the provisions of Article 540, paragraph (1) or (2) of the Companies Act as applied mutatis mutandis pursuant to Article 184, or under the provisions of Article 542;
- (lv) when the person, in violation of Article 197, has failed to hold assets in Japan for an amount corresponding to the total amount prescribed in the same Article;
- (lvi) when the person has violated a court order under the provisions of Article 827, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 213;
- (lvii) when the person has failed to submit the report or materials under the provisions of Article 218, paragraph (2), or has submitted false reports or materials;
- (lviii) when the person has failed to report the findings of the study by the deadline set forth in Article 240-8, paragraph (2);
- (lix) when the person, in violation of Article 241, paragraph (3), has failed to make a proposal, or has made a false proposal;
- (lx) when the person has failed to hand over their affairs to a receiver of an insurer who has been appointed by the Prime Minister pursuant to the provisions of Article 242, paragraph (2);
- (lxi) when the person without legitimate grounds, has refused to be a receiver of an insurer in violation of Article 243, paragraph (2);
- (lxii) when the person has failed to hand over their affairs to a director, executive officer or liquidator of a managed company prescribed in Article 242, paragraph (1), despite the rescission of the disposition that orders the management prescribed in Article 248, paragraph (1) pursuant to the same

- paragraph;
- (lxiii) when the person has failed to make the submission or give the notification under the provisions of Article 271-3, paragraph (1), Article 271-4, paragraph (1), (3), or (4), Article 271-5, paragraph (1) or (2), Article 271-6, Article 271-7, Article 271-10, paragraph (3), Article 271-18, paragraph (2) or (4), Article 272-31, paragraph (3), or Article 272-35, paragraph (2) or (4), or has made a false submission or has given a false notification;
- (lxiv) when the person, without obtaining authorization from the Prime Minister pursuant to the provisions of Article 271-10, paragraph (1), has become the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold or has incorporated a company or any other corporation that is the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold through the transactions or actions listed in the items of that paragraph;
- (lxv) when the person, in violation of Article 271-10, paragraph (2) was the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold after the last day of the grace period provided for in the same paragraph;
- (lxvi) when the person, in violation of the order under the provisions of Article 271-10, paragraph (4), was the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold, or, in violation of Article 271-16, paragraph (2) was the holder of a number of voting rights in an insurance company equal to or exceeding the major shareholder threshold beyond the period designated by the Prime Minister prescribed in the same paragraph;
- (lxvii) when the person has violated the order (including orders for the submission of an improvement plan) under the provisions of Article 271-14 (including as applied *mutatis mutandis* pursuant to Article 272-34, paragraph (1)), Article 271-15, Article 271-16, paragraph (1) (including as applied *mutatis mutandis* pursuant to Article 272-34, paragraph (1)), or Article 271-29 paragraph (1) or (3) (including as applied *mutatis mutandis* pursuant to Article 272-40, paragraph (2));
- (lxviii) when the person, without obtaining the approval of the Prime Minister pursuant to the provisions of Article 271-22, paragraph (1), has made a company other than the companies listed in the items of the same paragraph a subsidiary company;
- (lxix) when the person has failed to give the notification or make the submission under the provisions of Article 272-19, paragraph (1) or (2) or has changed the particulars specified in the documents prescribed in the provisions of Article 272-19, paragraph (1) within a period of time prescribed

- in Article 272-20, paragraph (1) (the shortened or extended period of time in the case where the period of time has been shortened or extended under the provisions of paragraph (2) or (3) of the same Article);
- (lxx) when the person, without obtaining authorization from the Prime Minister pursuant to the provisions of Article 272-31, paragraph (1), has, through any of the transactions or actions listed in the items of the same paragraph, become the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold, or has incorporated a company or another corporation that is the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold;
- (lxxi) when the person, in violation of Article 272-31, paragraph (2), was the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold after the last day of the grace period provided for in the same paragraph;
- (lxxii) when the person, in violation of the order under the provisions of Article 272-31, paragraph (4), was the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold, or, in violation of Article 271-16, paragraph (2) as applied mutatis mutandis pursuant to Article 272-34, paragraph (1), was the holder of a number of voting rights in a small amount and short term insurer equal to or exceeding the major shareholder threshold beyond the period designated by the Prime Minister prescribed in the same paragraph;
- (lxxiii) when the person, without obtaining the approval of the Prime Minister pursuant to the provisions of Article 272-39, paragraph (1), has made a company other than the companies listed in the items of the same paragraph a subsidiary company; and
- (lxxiv) when the person, without obtaining the authorization in violation of the provisions of Article 275, paragraph (3), made or had another person make a re-entrustment of insurance solicitation;
- (lxxv) when the person has violated the conditions imposed pursuant to the provisions of Article 310, paragraph (1).
- (2) In the case if a receiver of a stock company or a receiver of a foreign insurance company, etc. falls under any of the items of Article 976 of the Companies Act, they are punished by a civil fine of not more than one million yen; provided, however, that this does not apply when the action should be made subject to criminal punishment.

Article 333-2 A person who falls under either of the following items is punished by a civil fine of not more than one million yen:

- (i) a person who has, in violation of Article 946, paragraph (3) of the

Companies Act as applied mutatis mutandis pursuant to Article 67-2 or Article 217, paragraph (3), has failed to make a report, or has made a false report; and

- (ii) a person who, without legitimate grounds, has refused the requests listed in Article 67-2, or the items of Article 951, paragraph (2) of the Companies Act as applied mutatis mutandis pursuant to Article 217, paragraph (3), or the items of Article 955, paragraph (2).

Article 334 In the case if a director, executive officer, accounting advisor or a member who is to carry out its duties, company auditor or liquidator of a life insurance company that engages in insurance-proceed trust services, entrusted company prescribed in Article 144, paragraph (1), receiver, supervising committee member of a liquidating stock company or mutual company in liquidation who has been appointed pursuant to the provisions of Article 527, paragraph (1) of the Companies Act (including as applied mutatis mutandis pursuant to Article 184), acting director, accounting advisor, company auditor, representative director, committee member, executive officer or representative executive officer of a stock company or mutual company who has been appointed pursuant to the provisional disposition order prescribed in Article 56 of the Civil Provisional Remedies Act, acting liquidator or representative liquidator of a liquidating stock company or mutual company in liquidation who has been appointed pursuant to the provisional disposition order prescribed in the same Article, a person who is to carry out the duties of a temporary officer or temporary liquidator who has been appointed pursuant to the provisions of Article 346, paragraph (2) of the Companies Act (including as applied mutatis mutandis pursuant to Article 479, paragraph (4) of the same Act), a person who is to carry out the duties of a temporary committee member or temporary executive officer who has been appointed pursuant to the provisions of Article 401, paragraph (3) of the same Act (including as applied mutatis mutandis pursuant to Article 403, paragraph (3) of the same Act), a person who is to carry out the duties of a temporary officer or temporary liquidator who has been appointed pursuant to the provisions of Article 53-12, paragraph (2) (including as applied mutatis mutandis pursuant to Article 180-5, paragraph (4)), a person who is to carry out the duties of a temporary committee member or a person who is to carry out the duties of a temporary executive officer or manager who has been appointed pursuant to the provisions of Article 401, paragraph (3) of the same Act as applied mutatis mutandis pursuant to Article 53-25, paragraph (2) (including as applied mutatis mutandis pursuant to Article 53-27, paragraph (3)), or a representative person in Japan of a foreign life insurance company, etc. that engages in insurance-proceed trust services, liquidator, entrusted company

prescribed in Article 144, paragraph (1) as applied mutatis mutandis pursuant to Article 211, receiver of an insurer or manager falls under any of the following items, the person is punished by a civil fine of not more than one million yen:

- (i) when the person, without obtaining authorization, has engaged in insurance proceeds trust business in violation of the first sentence of Article 99, paragraph (7) (including as applied mutatis mutandis pursuant to Article 199);
- (ii) when the person, without obtaining the authorization under the provisions of , second sentence of Article 99, paragraph (7) (including as applied mutatis mutandis pursuant to Article 199; hereinafter the same applies in this item), has changed the method of insurance proceeds trust business prescribed in the second sentence of the same paragraph;
- (iii) when the person, in violation of the order pursuant to Article 6 of the Act on Provision of Trust Services by Financial Institutions as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), has made a supplementary or auxiliary trust contract; and
- (iv) when the person, in violation of Article 34 of the Trust Act (Act No. 108 of 2006), has failed to carry out the management of trust property that they are to carry out pursuant to the provisions of the same Article.

Article 335 A person who falls under any of the following items is punished by a civil fine of not more than one million yen:

- (i) a person who has violated Article 7, paragraph (2);
- (ii) a person who, in violation of the order under the provisions of Article 11, paragraph (4) of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), has failed to make a deposit;
- (iii) a person who, in violation of Article 29-2 of the Trust Business Act as applied mutatis mutandis pursuant to Article 99, paragraph (8) (including as applied mutatis mutandis pursuant to Article 199), has made changes regarding material trusts, or has consolidated or split trusts;
- (iv) a person who has violated Article 272-8, paragraph (1);
- (v) a person who, in violation of Article 272-8, paragraph (2), has posted a sign pursuant to the provisions of , paragraph (1) of the same Article or a similar sign;
- (vi) a person who has submitted a written application for approval set forth in Article 272-32, paragraph (1) or a document set forth in paragraph (2) of the same Article, in which they have included false statements; or
- (vii) a person who has violated the provisions of Article 308-16.

Article 336 In the case if an officer of a Corporation falls under either of the following items, the officer is punished by a civil fine of not more than five hundred thousand yen:

- (i) when the officer, in violation of Article 265-22, has failed to make the register prescribed in the same Article available for public inspection; or
- (ii) when the officer has violated the order under the provisions of Article 265-45, paragraph (2) or (3).

Article 337 A person who falls under any of the following items is punished by a civil fine of not more than five hundred thousand yen:

- (i) a person who, in violation of Article 186, paragraph (2) has offered an insurance contract prescribed in the same paragraph without obtaining permission;
- (ii) a person who has failed to give the notification under the provisions of Article 280, paragraph (1), Article 290, paragraph (1), or Article 302, or has given a false notification;
- (iii) a person who, in violation of the order under the provisions of Article 291, paragraph (4) or Article 292, paragraph (2), has failed to make a deposit.

Article 337-2 In the case if an officer of a Corporation falls under any of the following items, the officer is punished by a civil fine of not more than two hundred thousand yen:

- (i) when the officer, in the case where the authorization of the Prime Minister and the Minister of Finance is required pursuant to the provisions of Part II, Chapter X, Section 4, has not obtained the authorization;
- (ii) when the officer has failed to complete the registration in violation of Cabinet Order under the provisions of Article 264, paragraph (1);
- (iii) when the officer has violated Article 265-2, paragraph (2);
- (iv) when the officer has conducted business other than that prescribed in Article 265-28;
- (v) when the officer has failed to submit a document prescribed in Article 265-37 or Article 265-39, paragraph (1) or (2), or has submitted a false document;
- (vi) when the officer has invested surplus funds in the course of business in violation of Article 265-43; or
- (vii) when the officer has failed to make a report under the provisions of Article 268, paragraph (5) (including as applied mutatis mutandis pursuant to Article 269, paragraph (2), Article 270-3-12, paragraph (2), Article 270-3-13, paragraph (4), Article 270-6-3, paragraph (2), and Article 270-6-4, paragraph (4)), Article 270, paragraph (4), or Article 270-2, paragraph (6) (including as applied mutatis mutandis pursuant to Article 270-3-12, paragraph (3)), or

has made a false report.

Article 337-3 A person who has violated Article 263, paragraph (2) is punished by a civil fine of not more than one million yen.

Article 338 A person who, in violation of Article 8, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 21, has used a name or trade name that may cause misunderstanding that it is a mutual company, is punished by a civil fine of not more than one million yen.

Article 339 A person who, in violation of the provisions of Article 308-17, used any letters which may cause misunderstanding that the person is a designated dispute resolution organization is punished by a civil fine of not more than one hundred thousand yen.

Part VII Special Provisions on Procedures Concerning Confiscation

(Procedures for Confiscation of Property of a Third Party)

Article 340 (1) If a claim, etc. (meaning property other than real property and movables; the same applies in the following Article and Article 342) which is a property to be confiscated pursuant to the provisions of Article 317-3, paragraph (1) belongs to a person other than the accused (hereinafter referred to as "third party" in this Article), and the third party is not allowed to participate in the proceedings of the case under public prosecution, a judicial decision for confiscation may not be made.

(2) The preceding paragraph also applies to the case of seeking to confiscate property on which a superficies, a mortgage or any other right of a third party exists pursuant to the provisions of Article 317-3, paragraph (1), and the third party is not allowed to participate in the proceedings of the case under public prosecution.

(3) The provisions of Article 209-4, paragraphs (3) through (5) (Procedures for Confiscation of Property of a Third Party) of the Financial Instruments and Exchange Act apply mutatis mutandis to the cases where property on which a superficies, a mortgage or any other right of a third party exists is to be confiscated, and the right is to be kept in existence pursuant to the provisions of Article 209-3, paragraph (2) of that Act as applied mutatis mutandis pursuant to Article 317-3, paragraph (2). In this case, the term "paragraph (2) of the preceding Article" in Article 209-4, paragraphs (3) and (4) is deemed to be replaced with "paragraph (2) of the preceding Article as applied mutatis mutandis pursuant to Article 317-3, paragraph (2) of the Insurance Business Act".

(4) With regard to the procedures concerning confiscation of property prescribed in paragraphs (1) and (2), in addition to what is specially provided for in this Act, the provisions of the Act on Emergency Measures on Criminal Procedures to Confiscate Items Owned by Third Parties (Act No. 138 of 1963) apply *mutatis mutandis*.

(Disposition of a Confiscated Claim)

Article 341 The provisions of Article 209-5, paragraph (1) of the Financial Instruments and Exchange Act (Disposition of a Confiscated Claim) apply *mutatis mutandis* to claims, etc. confiscated with regard to the crime set forth in Article 317-2, item (ii), the provisions of Article 209-5, paragraph (2) of that Act apply *mutatis mutandis* to the case if a judicial decision for confiscation of a claim to be confiscated with regard to the claim set forth in that item becomes final and binding, and the provisions of Article 209-6 (Registration Based on a Judicial Decision for Confiscation) of that Act apply *mutatis mutandis* to the case of requesting a related organization to make registration of transfer of right based on a judicial decision for confiscation of property for which transfer of right requires registration with regard to the crime set forth in that item, respectively.

(Special Provisions on Criminal Compensation)

Article 342 With regard to the contents of compensation under the Criminal Compensation Act (Act No. 1 of 1950) for execution of compensation of a claim, etc. to be confiscated with regard to the crime set forth in Article 317-2, item (ii), the provisions of Article 4, paragraph (6) of that Act apply *mutatis mutandis*.